KNYSNA
Municipality
Munisipaliteit
uMasipala

[Audited financial statements.]

CONSOLIDATED FINANCIAL STATEMENTS

30 JUNE 2012

Index

Contents	Page
General Information	3
Approval of the Financial Statements	4
Report of the Auditor General	5
Report of the Chief Financial Officer	12
Statement of Financial Position	16
Statement of Financial Performance	17
Cash Flow Statement	18
Statement of Changes In Net Assets	19
Accounting Policies	20
Notes to the Financial Statements	50

APPENDIX

A	Schedule of External Loans	92
B	Disclosure of Grants and Subsidies In Terms of Section 123 of MFMA, 56 of 2003	93

CONSOLIDATED ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

GENERAL INFORMATION

MEMBERS OF THE EXECUTIVE MAYORAL COMMITTEE

G Wolmarans	Executive Mayor
M L Wasserman	Deputy Executive Mayor [Chairperson: Finance and Governance Committee]
E D Edge	Executive Councillor [Chairperson: Infrastructure Development Committee]
M Williams	Executive Councillor [Chairperson: Community Services Committee]
L M Hart	Executive Councillor [Chairperson: Planning and Development Committee]

AUDITORS

Auditor-General
Private Bag X96, Bellville 7535

BANKER

Nedbank Corporate
P O Box 472, Knysna
6570

REGISTERED OFFICE

Civic Centre	P O Box 21	Tel 044 - 302 6300
Clyde Street	Knysna	Fax 044 - 302 6333
Knysna	6570	

MUNICIPAL MANAGER

Ms L Waring

CHIEF FINANCIAL OFFICER

Mr G S Easton

LEGAL FORM

Category B municipality (local municipality) envisaged in section 155(1)(b) of the Constitution

JURISDICTION

Greater Knysna area which includes:
Knysna
Sedgefield
Rheenendal
Karatara
Brenton
Belvidere
Noetzie

RELEVANT LEGISLATION

Constitution of the Republic of South Africa (Act no 108 of 1996)
Municipal Finance Management Act (Act no 56 of 2003)
Division of Revenue Act
The Income Tax Act
Value Added Tax Act
Municipal Structures Act (Act no 117 of 1998)
Municipal Systems Act (Act no 32 of 2000)
Water Services Act (Act no 108 of 1997)
Housing Act (Act no 107 of 1997)
Municipal Property Rates Act (Act no 6 of 2004)
Electricity Act (Act no 41 of 1987)
Skills Development Levies Act (Act no 9 of 1999)
Employment Equity Act (Act no 55 of 1998)
Unemployment Insurance Act (Act no 30 of 1966)
Basic Conditions of Employment Act (Act no 75 of 1997)

2011/ 2012

MEMBERS OF THE KNYSNA MUNICIPALITY

WARD	COUNCILLOR	
1	Grootboom	I W J
2	Hart	L M
3	Lizwani	M
4	Litoli	W N
5	Williams	M
6	Witbooi	C K
7	Gombo	T M E
8	Sopeki	N
9	Wasserman	M L
10	Dawson	R A
Proportional	Charlie	L B
Proportional	Dyantyi	M
Proportional	Edge	E D
Proportional	Hololoshe	B
Proportional	Nayler	T
Proportional	Nkam	P P
Proportional	Van Aswegen	E O
Proportional	Waxa	V
Proportional	Wolmarans	G

I am responsible for the preparation of these consolidated annual financial statements, which are set out on pages 16 to 91 in terms of Section 126(1) of the Municipal Finance Management Act and which I have signed on behalf of the Municipality.

L Waring
Municipal Manager

30 Nov 2012
Date

REPORT OF THE AUDITOR-GENERAL TO WESTERN CAPE PROVINCIAL PARLIAMENT AND THE COUNCIL ON KNYSNA MUNICIPALITY

REPORT ON THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

Introduction

1. I have audited the consolidated and separate financial statements of the Knysna Municipality set out on pages 16 to 91, which comprise the consolidated and separate statements of financial position as at 30 June 2012, the consolidated and separate statements of financial performance, the consolidated and separate statements of changes in net assets and the consolidated and separate cash flow statements for the year then ended, and the notes, comprising a summary of significant accounting policies and other explanatory information.

Accounting officer's responsibility for the financial statements

2. The accounting officer is responsible for the preparation and fair presentation of these consolidated and separate financial statements in accordance with South African Standards of Generally Recognised Accounting Practice (SA Standards of GRAP) and the requirements of the Local Government: Municipal Finance Management Act of South Africa, 2003 (Act No. 56 of 2003) (MFMA) and the Division of Revenue Act of South Africa, 2011 (Act No. 6 of 2011) (DoRA), and for such internal control as the accounting officer determines is necessary to enable the preparation of consolidated and separate financial statements that are free from material misstatement, whether due to fraud or error.

Auditor-General's responsibility

3. My responsibility is to express an opinion on these consolidated and separate financial statements based on my audit. I conducted my audit in accordance with the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004) (PAA), the *General Notice* issued in terms thereof and International Standards on Auditing. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated and separate financial statements are free from material misstatement.

4. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated and separate financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated and separate financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated and separate financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated and separate financial statements.

5. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

6. In my opinion, the consolidated and separate financial statements present fairly, in all material respects, the financial position of the Knysna Municipality as at 30 June 2012, and its financial performance and cash flows for the year then ended in accordance with SA Standards of GRAP and the requirements of the MFMA and DoRA.

Emphasis of matters

7. I draw attention to the matters below. My opinion is not modified in respect of these matters.

Significant uncertainties

8. As disclosed in note 55 to the consolidated financial statements, the municipality is the defendant in an action instituted for damages and claims against the municipality for R2 030 750 plus interest of 15,5% per annum from 6 March 2004, bringing the total claim to R6 314 504. The ultimate outcome of the matter cannot presently be determined and no provision for any liability that may result has been made in the financial statements.

Restatement of corresponding figures

9. As disclosed in note 40 to the consolidated financial statements, the corresponding figures for 30 June 2011 have been restated as a result of errors discovered during the 2011-12 financial year in the financial statements of the Knysna Municipality at, and for the year ended, 30 June 2011.

Material losses/impairments

10. As disclosed in note 46.4 to the consolidated financial statements, the municipality incurred material technical and non-technical water distribution losses during the year equalling 14,4% of purified water and amounting to R7 362 215 (2010-11: 18,2%).

11. As disclosed in note 15 and 32 to the consolidated financial statements the municipality incurred material impairment losses of R90 472 000 and R128 574 813 on investment property and property, plant and equipment, respectively.

12. As disclosed in note 20 to the consolidated financial statements the municipality had receivables from exchange transactions totalling R82 919 418 at 30 June 2012 (2010-11: R70 733 632). A provision for impairments of R46 219 799 has been made against the debtors balance for doubtful debts (2010-11: R27 671 336).

13. As disclosed in note 21 to the consolidated financial statements the municipality had receivables from non-exchange transactions totalling R39 664 974 at 30 June 2012 (2010-11: R28 782 980). A provision for impairments of R13 599 409 has been made against the debtors balance for doubtful debts (2010-11: R8 912 908).

14. As disclosed in note 45.4 to the consolidated financial statements, the municipality has materially underspent on the capital budget to the amount of R25 102 155 of which R15,4 million has been approved for rollover to the 2012-13 budget.

Additional matter

15. I draw attention to the matter below. My opinion is not modified in respect of this matter.

Unaudited supplementary schedules

16. The supplementary information set out on pages 92 to 93 does not form part of the consolidated and separate financial statements and is presented as additional information. I have not audited these schedules and, accordingly, I do not express an opinion thereon.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

17. In accordance with the PAA and the *General Notice* issued in terms thereof, I report the following findings relevant to performance against predetermined objectives, compliance with laws and regulations and internal control, but not for the purpose of expressing an opinion.

Predetermined objectives

Knysna Municipality

18. I performed procedures to obtain evidence about the usefulness and reliability of the information in the annual performance report as set out on pages 22 to 33 of the annual report.

19. The reported performance against predetermined objectives was evaluated against the overall criteria of usefulness and reliability. The usefulness of information in the annual performance report relates to whether it is presented in accordance with the National Treasury's annual reporting principles and whether the reported performance is consistent with the planned objectives. The usefulness of information further relates to whether indicators and targets are measurable (i.e. well defined, verifiable, specific, measurable and time bound) and relevant as required by the National Treasury *Framework for managing programme performance information (FMPPI)*.

    The reliability of the information in respect of the selected objectives is assessed to determine whether it adequately reflects the facts (i.e. whether it is valid, accurate and complete).

20. The material findings are as follows:

Usefulness of information

21. Improvement measures in the annual performance report for all the planned targets not achieved were not disclosed as required by section 46 of the Local Government: Municipal Systems Act, 2000 (Act No. 32 of 2000) (MSA). This was due to inadequate internal policies and procedures over the processes pertaining to the reporting of performance information.

22. For 50% of the indicators, the reported prior year actual performance included as comparative information in the 2011-12 annual performance report did not agree to the actual performance reported in the published 2010-11 annual report.

23. The National Treasury *FMPPI* requires that performance targets be specific in clearly identifying the nature and required level of performance. A total of 34% of the targets were not specific in clearly identifying the nature and the required level of performance. This was due to the municipality not adequately reviewing the integrated development plan (IDP) to ensure that all key performance indicators that were set were specific.

24. The National Treasury *FMPPI* requires that indicators/measures should have clear unambiguous data definitions so that data is collected consistently and is easy to understand and use. A total of 47% of the indicators/measures were not well defined in

that clear, unambiguous data definitions were not available to allow for data to be collected consistently. This was due to the municipality not adequately reviewing the IDP to ensure that all key performance indicators that were set were specific.

Reliability of information

25. The National Treasury *FMPPI* requires that processes and systems which produce the indicator should be verifiable. A total of 69% of the actual reported performance relevant to the selected objectives either differed materially when compared to the source information and/or evidence provided or could not be substantiated by sufficient appropriate evidence. This was due to municipality not having adequate controls and processes in place to enable to valid, accurate and complete measurement and reporting of performance information.

Additional matter

26. I draw attention to the following matter below. This matter does not have an impact on the predetermined objectives audit findings reported above.

Achievement of planned targets

27. Of the total number of planned targets, only 21 were achieved during the year under review. This represents 21% of total planned targets that were not achieved during the year under review. Furthermore, 26 of the total number of targets set for the year are in respect of objectives that are considered to be qualitatively material in relation to the municipality's key service delivery objectives. Of these targets, 42% were not achieved during the year under review. This was as a result of the municipality not considering relevant systems and evidential requirements during the annual strategic planning process.

Amaraka Investments No. 64 (Pty) Ltd, trading as Knysna Economic Development Agency

28. I was unable to report on the usefulness and reliability of the annual performance report of Amaraka Investments No. 64 (Pty) Ltd, trading as Knysna Economic Development Agency as it was not prepared as required by section 121(4)(d) of the Municipal MFMA.

Compliance with laws and regulations

29. I performed procedures to obtain evidence that the entity has complied with applicable laws and regulations regarding financial matters, financial management and other related matters. My findings on material non-compliance with specific matters in key applicable laws and regulations as set out in the *General Notice* issued in terms of the PAA are as follows:

Strategic planning and performance management

Knysna Municipality

30. The accounting officer did not monitor and annually review, as part of the municipal entity's annual budget process as set out in section 87 of the MFMA, the performance of the municipal entity against the agreed performance objectives and indicators as required by section 93B(b) of MSA.

Amaraka Investments No. 64 (Pty) Ltd, trading as Knysna Economic Development Agency

31. The municipal entity did not prepare and include an assessment by the entity's accounting authority of the entity's performance against any measurable performance objectives set, in terms of the service delivery agreement or other agreement between

the entity and its parent municipality, as required by section 121(4)(d) and 127(1) of the MFMA.

Annual financial statements, performance and annual report

Knysna Municipality

32. The annual performance report for the year under review did not include measures taken to improve performance, as required by section 46(1)(c) of the MSA.

33. The financial statements submitted for auditing were not prepared in all material respects in accordance with the requirements of section 122 of the Municipal Finance Management Act. Material misstatements of non-current assets, liabilities and disclosure items identified by the auditors in the submitted financial statements were subsequently corrected, resulting in the financial statements receiving an unqualified audit opinion.

Amaraka Investments No. 64 (Pty) Ltd, trading as Knysna Economic Development Agency

34. The mid-year performance review was not performed by the accounting authority and was therefore not submitted to the Knysna Municipality, as required by section 88 of the MFMA.

35. The annual report for the year under review was not submitted by municipal entity's accounting authority to the municipal manager of the Knysna Municipality, as required by section 121 of the MFMA.

Procurement and contract management

Knysna Municipality

36. Awards were made to providers who are persons in service of other state institutions or whose directors/principal shareholders are persons in service of other state institutions, in contravention of SCM regulations 44. Similar awards were identified in the prior year and no effective steps were taken to prevent or combat the abuse of the SCM process in accordance with SCM regulation 38(1).

37. Persons in service of the municipality whose close family members had a private or business interest in contracts awarded by the municipality failed to disclose such interest, as required by SCM regulation 46(2)(e).

Expenditure management

Knysna Municipality

38. The accounting officer did not promptly inform the mayor and the MEC for local government in the province, in writing, of any unauthorised, irregular or fruitless and wasteful expenditure incurred by the municipality; whether any person is responsible or under investigation for such unauthorised, irregular or fruitless and wasteful expenditure; and the steps that had been taken to recover or rectify such expenditure and to prevent a recurrence of such expenditure, as required by section 32(4) of the MFMA.

Internal control

39. I considered internal control relevant to my audit of the consolidated and separate financial statements, annual performance report and compliance with laws and regulations. The matters reported below under the fundamentals of internal control are limited to the significant deficiencies that resulted in the findings on the annual performance report and the findings on compliance with laws and regulations included in this report.

Leadership

40. Leadership of the municipality did not implement adequate measures to exercise sufficient oversight responsibility regarding financial and performance reporting and compliance. This resulted in material findings on the financial statements and annual performance report not being prevented or detected and instances of material non-compliance with laws and regulations not being identified and corrected in a timely manner.

41. Due to the imminent winding up of the municipal entity, resources were not allocated to developing performance objectives and targets and collecting and collating information to report on the actual performance of the entity. Action plans were also not developed to address internal control deficiencies.

Financial and performance management

42. Processes relating to the collection and collation of information supporting the quarterly and annual performance report have not been adequately institutionalised at line department level to ensure that information is collected on a regular basis to support the annual performance report of the municipality. Consequently the annual performance report contained material misstatements that were identified during the audit process, as well as instances where sufficient appropriate evidence could not be presented to substantiate actual performance. This was mainly due to staff members not fully understanding the performance information requirements.

43. The accounting authority of the municipal entity did not assess the entity's performance against any measurable performance objectives or other agreement between the entity and its parent municipality. This was due to the fact that the municipal entity did not have agreed performance indicators with the parent municipality, mainly as a result of the imminent winding up of the entity.

44. The financial statements of the municipality contained material errors that were identified during the audit process. This was mainly due to the municipality not implementing adequate controls to ensure that information used to support the amounts in the financial statements was valid, accurate and complete and that the financial statement amounts and disclosures were accurate.

45. The municipality and municipal entity have also not implemented adequate procedures to monitor compliance on a regular basis and to address instances of non-compliance identified, in a timely manner.

Auditor-General

Cape Town

6 December 2012

AUDITOR-GENERAL
SOUTH AFRICA

Auditing to build public confidence

KNYSNA MUNICIPALITY
CONSOLIDATED ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2012

REPORT OF THE CHIEF FINANCIAL OFFICER

1. INTRODUCTION

It gives me great pleasure to present the consolidated financial position of Knysna Municipality and the Knysna Economic Development Agency for the fiscal year 2011/12.

In rendering a corporate financial management service to all departments, the Finance Department's primary objective is to assist the Municipal Manager and senior management to manage their budgets and ensure the effective application of financial resources in rendering services to the community.

I stated last year that the process of becoming GRAP compliant was long, difficult and very expensive, with little worth.

This has been highlighted even more this past year by the fact that the Knysna Municipality Annual Financial Statements are showing unauthorised expenditure for the year of R244 million of which almost nothing is cash and is therefore irrelevant to the man in the street who we purport to serve. A cursory glance at the ratios below highlights this. I continue to say that GRAP compliance adds almost nothing to the operation and ultimate transparency of a municipality and I look forward with interest to view the discomfiture Provincial and National Government departments will go through when they implement GRAP.

The question was recently asked of me by respected private sector financial people as to what constitutes the difference between a "clean" audit and an "unqualified audit". The answer is R244 million worth of accounting entries that have absolutely no bearing or relevance on the services provided by this municipality or on anything to do with its constitutional mandate.

Local government finance has very good legislation governing it. It needs to be implemented properly and consistently. I would like to think that in Knysna we do precisely that. GRAP notwithstanding.

2. KEY FINANCIAL INDICATORS

We have experienced three years of economic downturn in Knysna and are going into a fourth year. There are still no indications of green shoots and this in turn means that most indicator changes should be minimal unless of course it is Eskom, the one external body that continues to batter our local communities with its high tariff increases.

That in itself impacts upon debtor days, bulk purchase and even creditors days if cash becomes an issue. The various financial statement ratios are shown below.

Financial Statement Ratios:

INDICATOR	30 JUNE 2012	30 JUNE 2011
Surplus / (Deficit) for the year before Appropriations	(153 700 925)	95 244 691
Accumulated Surplus / (Deficit) at the end of the Year	582 643 679	734 142 175
Expenditure Categories as a percentage of Total Expenses:		
Employee related costs	20.14%	31.15%
Remuneration of Councillors	0.81%	1.14%
Debt Impairment	3.56%	3.72%
Collection Cost	0.06%	0.03%
Depreciation and Amortisation	2.94%	4.69%
Impairments	18.58%	0.03%
Repairs and Maintenance	3.18%	4.51%
Actuarial losses	0.73%	1.51%
Finance Charges	2.41%	4.28%
Unamortised discount - Interest	0.00%	0.00%
Bulk Purchases	15.55%	21.33%
Contracted services	2.22%	3.26%
Grants and Subsidies Paid	0.84%	1.46%
Stock Adjustments	0.00%	0.00%
Other Operating Grant Expenditure	7.74%	9.57%
General Expenses	8.09%	13.19%
Loss on Fair Value Adjustments of Land and Buildings and Investment Properties	13.07%	0.00%
Loss on Disposal of Property,Plant & Equipment/Investment Properties	0.07%	0.13%
Current Ratio:		
Creditors Days	33	32
Debtors Days	123	104

KNYSNA MUNICIPALITY
CONSOLIDATED ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2012

REPORT OF THE CHIEF FINANCIAL OFFICER

3. OPERATING RESULTS

Details of the operating results per category of expenditure, together with an explanation of variances is included in Note 45.

The overall operating results for the year ended 30 June 2012 are as follows:

DETAILS	Actual 2011/2012 R	Actual 2010/2011 R	Percentage Variance %	Budgeted 2011/2012 R	Variance actual/ budgeted %
Income:					
Opening surplus / (deficit)	734 142 177	769 895 449	-4.64%	-	-
Operating income for the year (incl. gains in disposal of assets)	538 900 023	497 599 411	8.30%	508 660 850	5.94%
Discontinued operations	397 858	186 027			
Appropriations for the year	2 202 430	(130 985 986)	-101.68%	-	
	1 275 642 487	1 136 694 901	12.22%	508 660 850	150.78%
Expenditure:					
Operating expenditure for the year	692 090 887	401 314 943	72.46%	469 772 545	47.32%
Discontinued operations	907 918	1 237 781	0.00%	-	-
Closing surplus / (deficit)	582 643 682	734 142 177	-20.64%	-	-
	1 275 642 487	1 136 694 901	12.22%	469 772 545	171.54%

4. CAPITAL EXPENDITURE

The expenditure on Property, Plant and Equipment during the year amounted to R 60 317 845 (2010/2011: R 53 389 230) and in percentage terms amounts to 70,6% of budget. Full details of Property, Plant and Equipment are disclosed in note number 13 to the Annual Financial Statements.

5. LONG-TERM LIABILITIES

	2012 R	2011 R
The outstanding amount of Long-term Liabilities as at 30 June was :	**164 667 412**	**173 542 503**
New loans taken up during the financial year to enable the municipality to finance part of its capital requirements.	**8 254 088**	**44 579 000**

Refer to Note number 3 and Appendix "A" for more detail.

6. NON-CURRENT PROVISIONS AND NON-CURRENT EMPLOYEE BENEFITS

Non-current Provisions and Employee Benefits at 30 June are made up as follows:	**89 825 113**	**78 289 926**
Provision for Post Retirement Benefits	63 840 320	53 989 710
Provision for Ex-Gratia Pension Benefits	323 338	458 301
Provision for Long Service Awards	8 567 483	7 101 526
Provision for Rehabilitation of Landfill-sites	3 724 966	3 458 716
Provision for Clearing of Alien Vegetation	13 369 006	13 281 673
	89 825 113	**78 289 926**

These provisions are made in order to enable the municipality to be in a position to fulfil its known legal obligations when they become due and payable.

Refer to Notes number 4 and 5 for more detail.

KNYSNA MUNICIPALITY
CONSOLIDATED ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2012

REPORT OF THE CHIEF FINANCIAL OFFICER

		2012	2011
7. CURRENT LIABILITIES		**R**	**R**
Current Liabilities are made up as follows:			
Consumer Deposits	Note number 6	9 288 612	9 103 463
Current Employee benefits	Note number 7	15 311 920	17 030 866
Provisions	Note number 8	-	3 458 716
Payables from Exchange Transactions	Note number 9	46 990 971	36 555 325
Unspent Conditional Government Grants and Receipts	Note number 10	2 137 005	7 652 709
Taxes	Note number 12	-	304 974
Operating Lease Liability - Non-Current and Current	Note number 22	1 127 236	1 206 398
Current Portion of Long-term Liabilities	Note number 3	17 258 767	17 180 613
		92 114 511	92 493 065

Current Liabilities are those liabilities of the municipality due and payable in the short-term (less than 12 months). There is no known reason as to why the municipality will not be able to meet its obligations.

Refer to the indicated Note numbers for more detail.

8. INTANGIBLE ASSETS

The net value of Intangible Assets is:	**669 145**	**817 947**

These are assets without physical form and are all in respect of computer software.

Refer to Note number 16 for more detail.

9. PROPERTY, PLANT AND EQUIPMENT

The net value of Property, Plant and Equipment is:	**689 897 411**	**725 796 892**

Refer to Note number 13 for more detail.

10. INVESTMENTS

The municipality held Investments to the value of :	**16 880 785**	**14 983 550**

These investments are ring-fenced for purposes of either the security for and repayment of Long-term Liabilities or the collateral on staff housing loans, with the result that no amounts are available for own purposes.

Refer to Note number 17 for more detail.

11. LONG-TERM RECEIVABLES

Long-term Receivables consist mainly of a loan to Vermont old age home. A provision for impairment for the specific loan was made to the value of R 522 593	**1 357 696**	**1 081 523**

Refer to Note number 18 for more detail.

KNYSNA MUNICIPALITY
CONSOLIDATED ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2012

REPORT OF THE CHIEF FINANCIAL OFFICER

12. CURRENT ASSETS		2012 R	2011 R
Current Assets are made up as follows:			
Inventory	Note number 19	7 964 559	4 294 032
Receivables from Exchange Transactions	Note number 20	36 699 619	43 062 296
Receivables from Non-exchange Transactions	Note number 21	26 065 566	19 870 072
Unpaid Conditional Government Grants and Receipts	Note number 10	1 870 171	3 571 365
Non-current Operating Lease Asset	Note number 22	2 431 991	2 397 856
Taxes	Note number 12	1 553 426	3 798 559
Current Portion of Long-term Receivables	Note number 18	201 842	62 931
Cash and Cash Equivalents	Note number 23	55 502 803	59 528 390
		132 289 977	**136 585 502**

Refer to the indicated Note numbers for more detail.

13. INTER-GOVERNMENTAL GRANTS

The municipality plays the major role in the upliftment of the poor and in sustaining and improving infrastructure for all its citizens for which it uses grants received from government and other organisations, and thus it has a big responsibility as custodian of these funds.

Refer to Notes numbers 10 and 25 as well for more detail.

14. EVENTS AFTER THE REPORTING DATE

Full details of all known events after the reporting date are disclosed in Note number 52

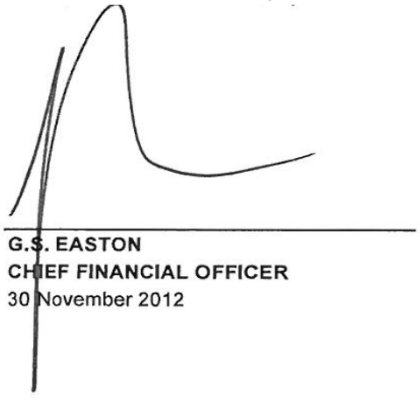
15. DISCLOSURE ISSUES

During the course of the financial year to which these statements apply, Council took the decision to wind up the Knysna Economic Development Agency (Disclosure required as per GRAP 100 - discontinued operations). The full financial details will become apparent in the Financial Statements of 2012/13.

16. EXPRESSION OF APPRECIATION

As is usual I am grateful to, the newly appointed in January 2012, Municipal Manager, Ms Lauren Waring, Councillors, Directors and Heads of Departments for their support during the year.

A heartfelt thank you to my own staff for their hard work, diligence and application in what was a difficult post GRAP compliance year, and an especial thanks to my core accounting and asset team, both internal and external and headed up and coordinated by the Manager: Budget Office, Ms Lorienne McCartney.



G.S. EASTON
CHIEF FINANCIAL OFFICER
30 November 2012

KNYSNA MUNICIPALITY

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2012

	Notes	Economic Entity 2012 R	Economic Entity 2011 R (Restated)	Knysna Municipality 2012 R	Knysna Municipality 2011 R (Restated)
NET ASSETS AND LIABILITIES					
Net Assets		**647 446 555**	**753 756 791**	**647 950 421**	**753 756 788**
Capital Replacement Reserve	2	4 692 214	5 199 523	4 692 214	5 199 523
Employee Benefits Reserve	2	6 153 045	5 242 645	6 153 045	5 242 645
Housing Development Fund	2	2 736 132	3 057 395	2 736 132	3 057 395
Non-Current Provisions Reserve - Restated 2011 - Note 40.(	2	3 418 794	6 115 051	3 418 794	6 115 051
Revaluations Reserve	2	47 894 557	-	47 894 557	-
Valuation Roll Reserve	2	412 000	-	412 000	-
Accumulated Surplus/(Deficit)		582 139 814	734 142 177	582 643 679	734 142 175
Non-Current Liabilities		**236 724 551**	**231 732 073**	**236 724 552**	**231 713 852**
Long-term Liabilities	3	148 421 137	157 973 589	148 421 137	157 973 589
Employee Benefits	4	70 082 206	59 270 413	70 082 206	59 270 413
Non-Current Provisions	5	17 093 972	13 281 673	17 093 972	13 281 673
Non-Current Operating Lease Liability	22	1 127 236	1 206 398	1 127 236	1 188 177
Net Assets associated with Discontinued Operations	39	**503 868**	-	-	-
Liabilities associated with Discontinued Operations	39	**1 690 651**	**-**	**-**	**-**
Current Liabilities		**90 987 276**	**91 291 167**	**91 197 474**	**89 502 333**
Consumer Deposits	6	9 288 612	9 103 463	9 288 612	9 103 463
Current Employee Benefits	7	15 311 920	17 030 866	15 311 920	17 030 866
Provisions	8	-	3 458 716	-	3 458 716
Payables from Exchange Transactions	9	46 990 971	36 555 325	47 201 169	37 090 575
Unspent Conditional Government Grants and Receipts	10	2 137 005	7 652 709	2 137 005	5 633 600
Unspent Public Contributions	11	-	4 500	-	4 500
Taxes	12	-	304 974	-	
Current Portion of Long-term Liabilities	3	17 258 767	17 180 613	17 258 767	17 180 613
Total Net Assets and Liabilities		**977 352 901**	**1 076 780 030**	**975 872 447**	**1 074 972 973**
ASSETS					
Non-Current Assets		**845 510 594**	**942 592 385**	**846 014 461**	**943 005 138**
Property, Plant and Equipment	13	689 897 411	725 858 756	689 897 411	725 796 892
Investment Property	15	134 998 000	198 067 000	134 998 000	198 067 000
Intangible Assets	16	669 145	817 947	669 145	817 947
Non-Current Investments	17	16 880 785	14 983 550	17 384 653	15 458 167
Non-Current Operating Lease Asset	22	2 431 991	2 397 856	2 431 991	2 397 856
Long-Term Receivables	18	633 261	467 276	633 261	467 276
Assets associated with Discontinued Operations	39	**1 984 321**	**-**	**-**	**-**
Current Assets		**129 857 986**	**134 187 645**	**129 857 986**	**131 967 835**
Inventory	19	7 964 559	4 294 032	7 964 559	4 294 032
Receivables from Exchange Transactions	20	36 699 619	43 062 296	36 699 619	43 062 296
Receivables from Non-Exchange Transactions	21	26 065 566	19 870 072	26 065 566	19 870 072
Unpaid Conditional Government Grants and Receipts	10	1 870 171	3 571 365	1 870 171	3 571 365
Taxes	12	1 553 426	3 798 559	1 553 426	3 798 559
Current Portion of Long-term Receivables	18	201 842	62 931	201 842	62 931
Cash and Cash Equivalents	23	55 502 803	59 528 390	55 502 803	57 308 580
Total Assets		**977 352 901**	**1 076 780 030**	**975 872 447**	**1 074 972 973**

KNYSNA MUNICIPALITY

CONSOLIDATED STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2012

		Economic Entity		Knysna Municipality	
	Notes	2012 R	2011 R Restated - Note 40.14	2012 R	2011 R Restated - Note 40.14
REVENUE					
Revenue from Non-exchange Transactions		**289 479 831**	**272 419 749**	**289 479 831**	**272 419 749**
Taxation Revenue		**125 364 197**	**116 791 378**	**125 364 197**	**116 791 378**
Property taxes	24	125 364 197	116 791 378	125 364 197	116 791 378
Transfer Revenue		**119 909 798**	**100 653 691**	**119 909 798**	**100 653 691**
Government Grants and Subsidies - Capita	25	30 678 919	36 887 924	30 678 919	36 887 924
Government Grants and Subsidies - Operating	25	89 230 879	62 942 767	89 230 879	62 942 767
Government Transfers - Contributed Assets	25	-	823 000	-	823 000
Other Revenue		**44 205 837**	**54 974 680**	**44 205 837**	**54 974 680**
Actuarial Gains	4	127 207	-	127 207	-
Augmentation Fees		808 126	2 386 870	808 126	2 386 870
Public Contributions and Donations		776 640	-	776 640	-
Foreign Exchange Gain		-	74 959	-	74 959
Third Party Payments		1 140 545	616 811	1 140 545	616 811
Fines		7 677 243	2 338 273	7 677 243	2 338 273
Stock Adjustments		116 508	56 614	116 508	56 614
Gain on Fair Value Adjustments of Investment Property	15	27 353 000	15 704 000	27 353 000	15 704 000
Reversal of Impairment Losses of Property, Plant & Equipment	13	5 182 388	33 437 394	5 182 388	33 437 394
Other		1 024 179	359 758	1 024 179	359 758
Revenue from Exchange Transactions		**249 420 192**	**225 179 662**	**249 420 192**	**225 179 662**
Property Rates - penalties imposed and collection charges		2 356 484	2 018 900	2 356 484	2 018 900
Service Charges	26	226 548 838	202 018 292	226 548 838	202 018 292
Rental of Facilities and Equipment		3 500 055	4 069 244	3 500 055	4 069 244
Interest Earned - external investments		6 667 005	5 914 526	6 667 005	5 914 526
Interest Earned - outstanding debtors		4 550 920	3 872 597	4 550 920	3 872 597
Licences and Permits		1 843 007	1 719 389	1 843 007	1 719 389
Agency Services		1 773 945	1 715 677	1 773 945	1 715 677
Other Income	27	1 524 171	1 618 694	1 524 171	1 618 694
Gain on disposal of Property, Plant & Equipment/Investment Property		43 027	1 541 235	43 027	1 541 235
Unamortised discount - Interest		612 740	691 109	612 740	691 109
Total Revenue		**538 900 023**	**497 599 411**	**538 900 023**	**497 599 411**
EXPENDITURE					
Employee related costs	28	139 414 290	125 014 831	139 414 290	125 014 831
Remuneration of Councillors	29	5 619 224	4 588 082	5 619 224	4 588 082
Remuneration of Directors of Knysna Economic Development Agency	30	-	-	-	-
Debt Impairment	31	24 631 745	14 911 878	25 141 805	15 951 655
Collection Cost		388 739	104 918	388 739	104 918
Depreciation and Amortisation		20 332 011	18 822 695	20 332 011	18 822 695
Impairments	32	128 574 813	123 705	128 574 813	123 705
Repairs and Maintenance		22 025 163	18 091 388	22 025 163	18 091 388
Actuarial losses	4	5 061 702	6 054 852	5 061 702	6 054 852
Finance Charges	33	16 685 997	17 193 358	16 685 997	17 193 358
Unamortised discount - Interest		8 302	10 410	8 302	10 410
Bulk Purchases	34	107 647 419	85 618 177	107 647 419	85 618 177
Contracted services	35	15 362 958	13 062 847	15 362 958	13 062 847
Grants and Subsidies Paid	36	5 783 606	5 842 781	5 783 606	5 842 781
Other Operating Grant Expenditure	37	53 564 343	38 420 347	53 564 343	38 420 347
General Expenses	38	56 012 995	52 916 224	56 012 995	52 916 224
Impairment of Investment Assets	15	90 472 000	-	90 472 000	-
Loss on Disposal of Property,Plant & Equipment/Investment Properties	13	505 581	538 453	505 581	538 453
Total Expenditure		**692 090 887**	**401 314 943**	**692 600 947**	**402 354 720**
NET SURPLUS / (DEFICIT) FOR THE YEAR - BEFORE DISCONTINUED OPERATIONS		**(153 190 864)**	**96 284 468**	**(153 700 925)**	**95 244 691**
Discontinued Operations -Municipal Entity (Restated 2011	39	(510 061)	(1 051 753)	-	-
NET SURPLUS FOR THE YEAR - AFTER DISCONTINUED OPERATIONS		**(153 700 925)**	**95 232 714**	**(153 700 925)**	**95 244 691**

KNYSNA MUNICIPALITY

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2012

(Refer to note 39 for dicontinued operations)	Notes	Economic Entity 2012 R	Economic Entity 2011 R	Knysna Municipality 2012 R	Knysna Municipality 2011 R
CASH FLOW FROM OPERATING ACTIVITIES					
Cash receipts from ratepayers, government and other - Exchange Transactions		197 038 115	158 549 346	197 038 115	158 549 346
Cash receipts from ratepayers and other - Non-Exchange Transactions - (Restated 2011)		158 688 039	169 926 229	158 688 039	169 926 229
Cash receipts from government - Non-Exchange Transactions (Restated 2011)		118 015 709	103 590 450	118 015 709	101 385 314
Cash payments to suppliers and employees		(395 580 286)	(330 156 476)	(394 696 892)	(328 685 410)
Cash generated/(absorbed) by operations	**41**	78 161 576	101 909 549	79 044 970	101 175 479
Interest Received		6 719 210	5 914 526	6 667 005	5 914 526
Interest Paid		(16 685 997)	(17 193 358)	(16 685 997)	(17 193 358)
Net Cash from Operating Activities		**68 194 790**	**90 630 717**	**69 025 979**	**89 896 647**
CASH FLOW FROM INVESTING ACTIVITIES					
Purchase of Property, Plant and Equipment - Restated 2011 - Note 40.14		(59 967 845)	(53 873 214)	(59 967 845)	(53 844 571)
Proceeds on Disposal of Fixed Assets - Restated 2011 - Note 40.14		42 551	1 541 241	42 551	1 541 241
Movement in Non-current assets held for sale		-	19 215	-	19 215
Purchase of Investment Properties		(50 000)	-	(50 000)	-
(Increase)/Decrease in Non-current Investments		(1 897 236)	(1 688 324)	(2 436 547)	(3 202 708)
Net Cash from Investing Activities		**(61 872 530)**	**(54 001 082)**	**(62 411 841)**	**(55 486 822)**
CASH FLOW FROM FINANCING ACTIVITIES					
New loans raised		8 254 088	20 110 799	8 254 088	20 110 799
Loans repaid		(16 582 980)	(15 328 777)	(16 582 980)	(15 328 777)
(Increase)/Decrease in Long-term Receivables		(276 173)	710 251	(276 173)	710 251
Increase in Consumer Deposits		185 149	628 518	185 149	628 518
Net Cash from Financing Activities		**(8 419 916)**	**6 120 792**	**(8 419 916)**	**6 120 792**
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**(2 097 655)**	**42 750 427**	**(1 805 777)**	**40 530 617**
Cash and Cash Equivalents at the beginning of the year		59 528 390	16 777 963	57 308 580	16 777 963
Cash and Cash Equivalents at the end of the year	**42**	57 430 735	59 528 390	55 502 803	57 308 580
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**(2 097 655)**	**42 750 427**	**(1 805 777)**	**40 530 617**
Disclosed as:					
Continued operations		(1 805 777)	40 530 617	(1 805 777)	40 530 617
Discontinued operations - Note 39		(291 878)	2 219 811		
		(2 097 655)	**42 750 427**	**(1 805 777)**	**40 530 617**

KNYSNA MUNICIPALITY

CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2012

Economic Entity	Employee Benefits Reserve	Non-Current Provisions Reserve	Valuation Housing Roll Reserve	Revaluations Reserve	Development Fund	Capital Replacement Reserve	Accumulated Surplus/ (Deficit)	Total
	R	R	R	R	R	R	R	R
Balance at 1 July 2010	**-**	**-**		**-**	**4 420 049**	**-**	**769 895 449**	**774 315 498**
Correction of errors - Note 40.13	-	-	-	-	-	-	(115 791 421)	(115 791 421)
Restated Balance at 1 July 2010	**-**	**-**	**-**	**-**	**4 420 049**	**-**	**654 104 028**	**658 524 077**
Net Surplus/(Deficit) for the year - Note 40.14	-	-	-	-	-	-	95 232 714	95 232 714
Transfer to/from Funding Policy Reserves	5 242 645	4 656 176	-	-	-	7 762 609	(17 661 430)	-
Correction of error - Note 40.08	-	1 458 875	-	-	-	-	(1 458 875)	-
Property, Plant and Equipment purchased	-	-	-	-	-	(2 563 085)	2 563 085	-
Transfer from/(to) Housing Development Func	-	-	-	-	(1 362 654)	-	1 362 654	-
Balance at 30 June 2011	**5 242 645**	**6 115 051**	**-**	**-**	**3 057 395**	**5 199 523**	**734 142 177**	**753 756 792**
Net Surplus/(Deficit) for the year	-	-	-	-	-	-	(153 700 925)	(153 700 925)
Transfer to/from Funding Policy Reserves	910 400	(2 696 257)	412 000	-	-	6 078 310	(4 704 453)	-
Revaluation of Property, Plant and Equipment	-	-	-	47 894 557			-	47 894 557
Property, Plant and Equipment purchased	-	-	-	-	-	(6 585 619)	6 585 619	-
Transfer from/(to) Housing Development Fund	-	-	-	-	(321 263)	-	321 263	-
Balance at 30 June 2012	**6 153 045**	**3 418 794**	**412 000**	**47 894 557**	**2 736 132**	**4 692 214**	**582 643 682**	**647 950 424**
Disclosed as:								
Continued operations	6 153 045	3 418 794	412 000	47 894 557	2 736 132	4 692 214	582 139 814	647 446 556
Discontinued operations	-	-	-	-	-	-	503 868	503 868
	6 153 045	**3 418 794**	**412 000**	**47 894 557**	**2 736 132**	**4 692 214**	**582 643 682**	**647 950 424**

Knysna Municipality	Employee Benefits Reserve	Non-Current Provisions Reserve	Valuation Housing Roll Reserve	Revaluations Reserve	Development Fund	Capital Replacement Reserve	Accumulated Surplus/ (Deficit)	Total
	R	R	R	R	R	R	R	R
Balance at 1 July 2010	**-**	**-**		**-**	**4 420 049**	**-**	**769 883 471**	**774 303 520**
Correction of errors - Note 40.13	-	-	-	-	-	-	(115 791 421)	(115 791 421)
Restated Balance at 1 July 2010	**-**	**-**	**-**	**-**	**4 420 049**	**-**	**654 092 050**	**658 512 099**
Net Surplus/(Deficit) for the year - Note 40.14	-	-	-	-	-	-	95 244 691	95 244 691
Transfer to/from Funding Policy Reserves	5 242 645	4 656 176	-	-	-	7 762 609	(17 661 430)	-
Correction of error - Note 40.08	-	1 458 875	-	-	-	-	(1 458 875)	-
Property, Plant and Equipment purchased	-	-	-	-	-	(2 563 085)	2 563 085	-
Transfer from/(to) Housing Development Func	-	-	-	-	(1 362 654)	-	1 362 654	-
Balance at 30 June 2011	**5 242 645**	**6 115 051**	**-**	**-**	**3 057 395**	**5 199 523**	**734 142 175**	**753 756 790**
Net Surplus/(Deficit) for the year	-	-	-	-	-	-	(153 700 925)	(153 700 925)
Transfer to/from Funding Policy Reserves	910 400	(2 696 257)	412 000	-	-	6 078 310	(4 704 453)	-
Revaluation of Property, Plant and Equipment	-	-	-	47 894 557	-		-	47 894 557
Property, Plant and Equipment purchased	-	-	-	-	-	(6 585 619)	6 585 619	-
Transfer from/(to) Housing Development Fund	-	-	-	-	(321 263)	-	321 263	-
Balance at 30 June 2012	**6 153 045**	**3 418 794**	**412 000**	**47 894 557**	**2 736 132**	**4 692 214**	**582 643 679**	**647 950 423**

KNYSNA MUNICIPALITY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

1. ACCOUNTING PRINCIPLES AND POLICIES APPLIED IN THE FINANCIAL STATEMENTS

1.1. BASIS OF PREPARATION

The annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention unless specified otherwise.

The annual financial statements have been prepared in accordance with the Municipal Finance Management Act (MFMA) and effective standards of Generally Recognised Accounting Practices (GRAP), including any interpretations and directives issued by the Accounting Standards Board (ASB) in accordance with Section 122(3) of the Municipal Finance Management Act, (Act No 56 of 2003).

Accounting policies for material transactions, events or conditions not covered by the GRAP reporting framework, have been developed in accordance with paragraphs 8,10 and 11 of GRAP 3 (Revised – February 2010) and the hierarchy approved in Directive 5 issued by the Accounting Standards Board.

The Economic entity resolved to early adopt the following GRAP standards which have been issued but are not yet effective.

Standard	Description	Effective Date
GRAP 1 (Revised – Mar 2012)	Presentation of Financial Statements	1 April 2013
GRAP 3 (Revised – Mar 2012)	Accounting Policies, Changes in Accounting Estimates and Errors	1 April 2013
GRAP 9 (Revised – Mar 2012)	Revenue from Exchange Transactions	1 April 2013
GRAP 12 (Revised – Mar 2012)	Inventories	1 April 2013
GRAP 13 (Revised – Mar 2012)	Leases	1 April 2013
GRAP 16 (Revised – Mar 2012)	Investment Property	1 April 2013
GRAP 17 (Revised – Mar 2012)	Property, Plant and Equipment	1 April 2013
GRAP 21 (Original – Mar 2009)	Impairment of non-cash-generating assets	1 April 2012
GRAP 23 (Original – Feb 2008)	Revenue from Non-Exchange Transactions	1 April 2012
GRAP 25 (Original – Nov 2009)	Employee Benefits	1 April 2013
GRAP 26 (Original – Mar 2009)	Impairment of cash-generating assets	1 April 2012
GRAP 27 (Revised – Mar 2012)	Agriculture	1 April 2013
GRAP 31 (Revised – Mar 2012)	Intangible Assets	1 April 2013
GRAP 104 (Original – Oct 2009)	Financial Instruments	1 April 2012
IGRAP 16 (Issued – Mar 2012)	Intangible Assets – Website Costs	1 April 2013

KNYSNA MUNICIPALITY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

Assets, liabilities, revenue and expenses have not been offset except when offsetting is permitted or required by a Standard of GRAP.

The accounting policies applied are consistent with those used to present the previous year's financial statements, unless explicitly stated. The details of any changes in accounting policies are explained in the relevant notes to the Financial Statements.

1.2. PRESENTATION CURRENCY

Amounts reflected in the financial statements are in South African Rand and at actual values. Financial values are rounded to the nearest one Rand.

1.3. GOING CONCERN ASSUMPTION

These annual financial statements have been prepared on a going concern basis.

1.4. COMPARATIVE INFORMATION

When the presentation or classification of items in the annual financial statements is amended, prior period comparative amounts are restated, unless a standard of GRAP does not require the restatements of comparative information. The nature and reason for the reclassification is disclosed. Where material accounting errors have been identified in the current year, the correction is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly. Where there has been a change in accounting policy in the current year, the adjustment is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly.

1.5. MATERIALITY

Material omissions or misstatements of items are material if they could, individually or collectively, influence the decision or assessments of users made on the basis of the financial statements. Materiality depends on the nature or size of the omission or misstatements judged in the surrounding circumstances. The nature or size of the information item, or a combination of both, could be the determining factor. Materiality is determined as 1% of total expenditure. This materiality is from management's perspective and does not correlate with the auditor's materiality.

1.6. PRESENTATION OF BUDGET INFORMATION

As noted, GRAP 24 is not effective yet, however budget information required in terms of GRAP 1 (Revised – March 2012) paragraph 11 to 14 have been disclosed in the financial statements.

1.7. STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE

The following GRAP standards have been issued but are not yet effective and have not been early adopted by the Economic entity:

Standard	Description	Effective Date
GRAP 6 (Revised – Nov 2010	**Consolidated and Separate Financial Statements** The objective of this Standard is to prescribe the	**Unknown**

KNYSNA MUNICIPALITY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

Standard	Description	Effective Date
	circumstances in which consolidated and separate financial statements are to be prepared and the information to be included in those financial statements so that the consolidated financial statements reflect the financial performance, financial position and cash flows of an economic entity as a single entity. No significant impact is expected as the Economic entity already complies with most of the changes.	
GRAP 7 **(Revised – Mar 2012)**	**Investments in Associate** This Standard prescribes the accounting treatment for investments in associate where the investment in the associate leads to the holding of an ownership interest in the form of a shareholding or other form of interest in the net assets. No significant impact is expected as the Economic entity will not participate in such business transactions.	**1 April 2013**
GRAP 8 **(Revised – Nov 2010)**	**Interest in Joint Ventures** The objective of this Standard is to prescribe the accounting treatment of jointly controlled operations, jointly controlled assets and jointly controlled entities and to provide alternatives for the recognition of interests in jointly controlled entities. No significant impact is expected as the Economic entity is not involved in any joint ventures.	**Unknown**
GRAP 18 **(Original – Feb 2011)**	**Segment Reporting** The objective of this Standard is to establish principles for reporting financial information by segments. Information to a large extent is already included in the appendices to the annual financial statements which do not form part of the audited financial statements.	**Unknown**
GRAP 24 **(Original – Nov 2007)**	**Presentation of Budget Information in Financial Statements** This Standard requires a comparison of budget mounts and the actual amounts arising from execution of the budget to be included in the financial statements of entities that are required to, or elect to, make publicly available their approved budget(s) and for which they are, therefore, held publicly accountable. The Standard also requires disclosure of an explanation of the reasons for material	**1 April 2012**

KNYSNA MUNICIPALITY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

Standard	Description	Effective Date
	differences between the budget and actual amounts. Information to a large extent is already included in the notes to the annual financial statements and the impact is assessed to not be significant.	
GRAP 103 (Original – July 2008)	**Heritage Assets** The objective of this Standard is to prescribe the accounting treatment for heritage assets and related disclosure requirements. No significant impact is expected as the Economic entity has no significant heritage assets other than the assets currently accounted for in terms of GRAP 17.	**1 April 2012**
GRAP 105 (Original – Nov 2010)	**Transfer of Functions Between Entities Under Common Control** The objective of this Standard is to establish accounting principles for the acquirer and transferor in a transfer of functions between entities under common control. No significant impact is expected as the Economic entity does not participate in such business transactions and no such transactions or events are expected in the foreseeable future.	**Unknown**
GRAP 106 (Original – Nov 2010)	**Transfer of Functions Between Entities Not Under Common Control** The objective of this Standard is to establish accounting principles for the acquirer in a transfer of functions between entities not under common control. No significant impact is expected as the Economic entity does not participate in such business transactions and no such transactions or events are expected in the foreseeable future.	**Unknown**
GRAP 107 (Original – Nov 2010)	**Mergers** The objective of this Standard is to establish accounting principles for the combined entity and combining entities in a merger. No significant impact is expected as the Economic entity does not participate in such business transactions and no such transactions or events are expected in the foreseeable future.	**Unknown**
IGRAP 12	**Jointly Controlled Entities non-monetary contributions** The objective of this Interpretation of the Standard is to prescribe the treatment of profit/loss when an asset is sold or contributed by the venturer to a Jointly Controlled Entity (JCE).	

KNYSNA MUNICIPALITY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

Standard	Description	Effective Date
	No significant impact is expected as the Economic entity does not have any JCE's at this stage.	

These standards, amendments and interpretations will not have a significant impact on the Economic entity once implemented.

1.8. RESERVES

1.8.1 Capital Replacement Reserve (CRR)

In order to finance the provision of infrastructure and other items of property, plant and equipment from internal sources, amounts are transferred from the accumulated surplus/ (deficit) to the CRR. The cash in the CRR can only be utilised to finance items of property, plant and equipment. The CRR is reduced and the accumulated surplus/ (deficit) is credited by a corresponding amount when the amounts in the CRR are utilised.

1.8.2 Housing Development Fund

The Housing Development Fund was established in terms of the Housing Act, (Act No. 107 of 1997). Loans from National and Provincial Government, used to finance housing selling schemes undertaken by the economic entity, were extinguished on 1 April 1998 and transferred to the Housing Development Fund. Housing selling schemes, both completed and in progress as at 1 April 1998, were also transferred to the Housing Development Fund. In terms of the Housing Act, all proceeds from housing developments, which include rental income and sale of houses, must be paid into the Housing Development Fund. Monies standing to the credit of the Housing Development Fund can be used only to finance housing developments within the municipal area subject to the approval of the Provincial MEC responsible for housing.

1.8.3 Employee Benefits Reserve

The aim of the reserve is to ensure sufficient cash resources are available for the future payment of employee benefits. Contributions equal to the short term portion of employee benefits, plus 5% of the prior year closing balance of long term employee benefits is contributed to the reserve from accumulated surplus/(deficit).

1.8.4 Non-Current Provisions Reserve

The aim of this reserve is to ensure sufficient cash resources are available for the future payment of non – current provisions. An initial contribution equal to the current provisions, as well as 20% of the prior year balance of the non-current provision is made until the necessary funding level is obtained.

1.8.5 Revaluations Reserve

The accounting for the Revaluation Reserve must be done in accordance with the requirements of GRAP 17.

All increases in the carrying value of assets as a result of a revaluation are credited against the reserve, except to the extent that the increase reverses a revaluation decrease of the same asset previously recognised in surplus or deficit.

KNYSNA MUNICIPALITY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

All decreases in the carrying value of assets as a result of a revaluation are debited against the reserve to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

1.8.6 Valuation Roll Reserve

The aim of this reserve is to ensure sufficient cash resources are available to undertake a General Valuation as per the Municipal Property Rates Act.

The contribution to this reserve should be approximately 25% of the anticipated cost of the General Valuation.

1.9. LEASES

1.9.1 Economic entity as Lessee

Leases are classified as finance leases where substantially all the risks and rewards associated with ownership of an asset are transferred to the Economic entity. Property, plant and equipment or intangible assets (excluding licensing agreements for such items as motion picture films, video recordings, plays, manuscripts, patents and copyrights) subject to finance lease agreements are initially recognised at the lower of the asset's fair value and the present value of the minimum lease payments. The corresponding liabilities are initially recognised at the inception of the lease and are measured as the sum of the minimum lease payments due in terms of the lease agreement, discounted for the effect of interest. In discounting the lease payments, the Economic entity uses the interest rate that exactly discounts the lease payments and unguaranteed residual value to the fair value of the asset plus any direct costs incurred.

Subsequent to initial recognition, the leased assets are accounted for in accordance with the stated accounting policies applicable to property, plant and equipment or intangibles. The lease liability is reduced by the lease payments, which are allocated between the lease finance cost and the capital repayment using the effective interest rate method. Lease finance costs are expensed when incurred. The accounting policies relating to de-recognition of financial instruments are applied to lease payables.

Operating leases are those leases that do not fall within the scope of the above definition. Operating lease rentals are recognised on a straight-line basis over the term of the relevant lease. The difference between the straight-lined expenses and actual payments made will give rise to a liability. The Economic entity shall recognise the aggregate benefit of incentives as a reduction of rental expense over the lease term, on a straight-line basis unless another systematic basis is representative of the time pattern of the lessee's benefit from the use of the leased asset.

1.9.2 Economic entity as Lessor

Under a finance lease, the Economic entity recognises the lease payments to be received in terms of a lease agreement as an asset (receivable). The receivable is calculated as the sum of all the minimum lease payments to be received, plus any unguaranteed residual accruing to the Economic entity, discounted at the interest rate implicit in the lease. The receivable is reduced by the capital portion of the lease instalments received, with the interest portion being recognised as interest revenue on a time proportionate basis. The accounting policies relating to de-recognition and impairment of financial instruments are applied to lease receivables.

KNYSNA MUNICIPALITY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

Operating leases are those leases that do not fall within the scope of the above definition. Operating lease revenue is recognised on a straight-line basis over the term of the relevant lease. The difference between the straight-lined revenue and actual payments received will give rise to an asset. The Economic entity shall recognise the aggregate cost of incentives as a reduction of rental revenue over the lease term, on a straight-line basis unless another systematic basis is representative of the time pattern over which the benefit of the leased asset is diminished.

1.10. UNSPENT CONDITIONAL GOVERNMENT GRANTS AND RECEIPTS

Conditional government grants are subject to specific conditions. If these specific conditions are not met, the monies received are repayable.

Unspent conditional grants are financial liabilities that are separately reflected on the Statement of Financial Position. They represent unspent government grants, subsidies and contributions from the public.

This liability always has to be cash-backed. The following provisions are set for the creation and utilisation of this creditor:

- Unspent conditional grants are recognised as a liability when the grant is received.
- When grant conditions are met an amount equal to the conditions met are transferred to revenue in the Statement of Financial Performance.
- The cash which backs up the creditor is invested as individual investment or part of the general investments of the Economic entity until it is utilised.
- Interest earned on the investment is treated in accordance with grant conditions. If it is payable to the funder it is recorded as part of the creditor. If it is the Economic entity's interest it is recognised as interest earned in the Statement of Financial Performance.

1.11. UNPAID CONDITIONAL GOVERNMENT GRANTS AND RECEIPTS

Unpaid conditional grants are assets in terms of the Framework that are separately reflected on the Statement of Financial Position. The asset is recognised when the Economic entity has an enforceable right to receive the grant or if it is virtually certain that it will be received based on that grant conditions have been met. They represent unpaid government grants, subsidies and contributions from the public.

The following provisions are set for the creation and utilisation of grant receivables:

- Unpaid conditional grants are recognised as an asset when the grant is receivable.

1.12 UNSPENT PUBLIC CONTRIBUTIONS

Public contributions are subject to specific conditions. If these specific conditions are not met, the monies received are repayable.

Unspent public contributions are financial liabilities that are separately reflected on the Statement of Financial Position. They represent unspent contributions from the public.

This liability always has to be cash-backed. The following provisions are set for the creation and utilisation of this creditor:

- Unspent public contributions are recognised as a liability when the grant is received.

KNYSNA MUNICIPALITY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

- When grant conditions are met an amount equal to the conditions met are transferred to revenue in the Statement of Financial Performance.
- The cash which backs up the creditor is invested as individual investment or part of the general investments of the economic entity until it is utilised.
- Interest earned on the investment is treated in accordance with the public contribution conditions. If it is payable to the funder it is recorded as part of the creditor. If it is the economic entity's interest it is recognised as interest earned in the Statement of Financial Performance.

1.13. PROVISIONS

Provisions are recognised when the Economic entity has a present legal or constructive obligation as a result of past events, it is possible that an outflow of resource embodying economic benefits or service potential will be required to settle the obligation and a reliable estimate of the provision can be made. Provisions are reviewed at reporting date and adjusted to reflect the current best estimate of future outflows of resources. Where the effect is material, non-current provisions are discounted to their present value using a discount rate that reflects the market's current assessment of the time value of money, adjusted for risks specific to the liability.

Future events that may affect the amount required to settle an obligation are reflected in the amount of a provision where there is sufficient objective evidence that they will occur. Gains from the expected disposal of assets are not taken into account in measuring a provision. Provisions are not recognised for future operating losses. The present obligation under an onerous contract is recognised and measured as a provision.

1.14. EMPLOYEE BENEFITS

(a) Post Retirement Medical Obligations

The Economic entity provides post-retirement medical benefits by subsidizing the medical aid contributions of certain retired staff according to the rules of the medical aid funds. Council pays 60% as contribution and the remaining 40% are paid by the members. The entitlement to these benefits is usually conditional on the employee remaining in service up to retirement age and the completion of a minimum service period. The present value of the defined benefit liability is actuarially determined in accordance with GRAP 25 – Employee benefits (using a discount rate applicable to high quality government bonds). The plan is unfunded.

These contributions are charged to the Statement of Financial Performance when employees have rendered the service entitling them to the contribution. The liability was calculated by means of the projected unit credit actuarial valuation method. The liability in respect of current pensioners is regarded as fully accrued, and is therefore not split between a past (or accrued) and future in-service element. The liability is recognised at the fair value of the obligation. Payments made by the Economic entity are set-off against the liability, including notional interest, resulting from the valuation by the actuaries and are charged against the Statement of Financial Performance as employee benefits upon valuation.

Actuarial gains and losses arising from the experience adjustments and changes in actuarial assumptions are charged or credited to the Statement of Financial Performance in the period that it occurs. These obligations are valued periodically, unless circumstances change significantly in which case it is done annually, by independent qualified actuaries.

KNYSNA MUNICIPALITY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

(b) Long Service Awards

Defined benefit plans are post-employment plans other than defined contribution plans. Long service awards are provided to employees who achieve certain pre-determined milestones of service within the Economic entity. The Economic entity's obligation under these plans is valued by independent qualified actuaries periodically and the corresponding liability is raised. Payments are set-off against the liability, including notional interest, resulting from the valuation by the actuaries and are charged against the Statement of Financial Performance as employee benefits upon valuation.

Actuarial gains and losses arising from the experience adjustments and changes in actuarial assumptions, is charged or credited to the Statement of Financial Performance in the period that it occurs. These obligations are valued periodically, unless circumstances change significantly in which case it is done annually, by independent qualified actuaries.

(c) Ex Gratia Gratuities

Ex gratia gratuities are provided to employees that were not previously members of a pension fund. The economic entity's obligation under these plans is valued by independent qualified actuaries and the corresponding liability is raised. Payments made by the economic entity are set-off against the liability, including notional interest, resulting from the valuation by the actuaries and are charged against the Statement of Financial Performance as employee benefits upon valuation. Defined benefit plans are post-employment plans other than defined contribution plans.

Actuarial gains and losses arising from the experience adjustments and changes in actuarial assumptions are charged or credited to the Statement of Financial Performance in the period that it occurs. These obligations are valued periodically, unless circumstances change significantly in which case it is done annually, by independent qualified actuaries.

(d) Provision for Staff Leave

Liabilities for annual leave are recognised as they accrue to employees. The liability is based on the total amount of leave days due to employees at year end and also on the total remuneration package of the employee.

Accumulating leave is carried forward and can be used in future periods if the current period's entitlement is not used in full. All unused leave will be paid out to the specific employee at the end of that employee's employment term.

Accumulated leave is vesting.

(e) Provision for Performance Bonuses

A provision, in respect of the liability relating to the anticipated costs of performance bonuses payable to Section 56 employees, is recognised as it accrue to Section 56 employees . Municipal entities' performance bonus provisions are based on the employment contract stipulations as well as previous performance bonus payment trends.

(f) Pension and retirement fund obligations

KNYSNA MUNICIPALITY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

The Economic entity provides retirement benefits for its employees and councillors.

Defined contribution plans are post-employment benefit plans under which an entity pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.

The contributions to fund obligations for the payment of retirement benefits are charged against income in the year they become payable.

Defined benefit plans are post-employment benefit plans other than defined contribution plans. The defined benefit funds, which are administered on a provincial basis, are actuarially valued tri-annually on the projected unit credit method basis. Deficits identified are recovered through lump sum payments or increased future contributions on a proportional basis to all participating municipalities. The contributions and lump sum payments are charged against income in the year they become payable. Sufficient information is not available to use defined benefit accounting for a multi-employer plan. As a result, defined benefit plans have been accounted for as if they were defined contribution plans.

(g) Other Short-term Employee Benefits

When an employee has rendered service to the entity during a reporting period, the entity recognises the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service:

- as a liability (accrued expense), after deducting any amount already paid. If the amount already paid exceeds the undiscounted amount of the benefits, the entity recognises that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and

- as an expense, unless another Standard requires or permits the inclusion of the benefits in the cost of an asset.

1.15. BORROWING COSTS

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets are capitalised to the cost of that asset unless it is inappropriate to do so. It is inappropriate to capitalise borrowing costs when, and only when, there is clear evidence that it is difficult to link the borrowing requirement of the Economic Entity directly to the nature of the expenditure to be funded i.e. capital or current. In such cases, the Economic Entity expenses those borrowing costs related to a qualifying asset directly to the statement of financial performance. The amount of borrowing costs that the Economic entity capitalises during a period shall not exceed the amount of borrowing costs it incurred during that period. The Economic entity ceases the capitalisation of borrowing costs when substantially all the activities to prepare the asset for its intended use or sale are complete. Borrowing costs incurred other than on qualifying assets are recognised as an expense in the Statement of Financial Performance when incurred.

1.16. PROPERTY, PLANT AND EQUIPMENT

1.16.1 Initial Recognition

KNYSNA MUNICIPALITY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one year. The cost of an item of property, plant and equipment shall be recognised as an asset if, and only if it is probable that future economic benefits or service potential associated with the item will flow to the entity, and the cost or fair value of the item can be measured reliably. Items of property, plant and equipment are initially recognised as assets on acquisition date and are initially recorded at cost. The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by the Economic entity. Trade discounts and rebates are deducted in arriving at the cost. The cost also includes the necessary costs of dismantling and removing the asset and restoring the site on which it is located.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Where an asset is acquired by the Economic entity for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the assets acquired is initially measured at fair value (the cost). It the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

Major spare parts and servicing equipment qualify as property, plant and equipment when the economic entity expects to use them during more than one period. Similarly, if the major spare parts and servicing equipment can be used only in connection with an item of property, plant and equipment, they are accounted for as property, plant and equipment.

1.16.2 Subsequent Measurement – Cost Model

Subsequent to initial recognition, items of property, plant and equipment, other than land and buildings, are measured at cost less accumulated depreciation and any accumulated impairment losses. Land is not depreciated as it is deemed to have an indefinite useful life.

Where the Economic entity replaces parts of an asset, it derecognises the part of the asset being replaced and capitalises the new component. Subsequent expenditure incurred on an asset is capitalised when it increases the capacity or future economic benefits or service potential associated with the asset.

1.16.3 Subsequent Measurement – Revaluation Model

Subsequent to initial recognition, Land and Buildings are carried at a re-valued amount, being its fair value at the date of revaluation less any subsequent accumulated depreciation and any accumulated impairment losses.

KNYSNA MUNICIPALITY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

An increase in the carrying amount of an asset as a result of a revaluation is credited directly to a revaluation surplus reserve, except to the extent that it reverses a revaluation decrease of the same asset previously recognised in surplus or deficit.

A decrease in the carrying amount of an asset as a result of a revaluation is recognised in surplus or deficit, except to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

1.16.4 Depreciation and Impairment

Depreciation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the assets. Depreciation of an asset begins when it is available for use, i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by management. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. The estimated useful lives, residual values and depreciation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis. The annual depreciation rates are based on the following estimated useful lives:

Asset Class	Asset Sub-grouping	Useful Life (Yrs)
Land	None	Indefinite
Buildings	None	100
Infrastructure	Sewerage	10 – 100
	Electricity	15 – 100
	Water	12 – 182
	Roads	12 – 102
	Security Measures	5 – 50
Community Assets	None	5 – 100
Leased Asset	None	3 – 6
Heritage	None	Indefinite
Other Assets	Bins and Containers	15
	Other	3 – 100
	Office Equipment	2 – 35
	Vehicles and Specialised Vehicles	7 – 50

Property, plant and equipment are reviewed at each reporting date for any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. The impairment charged to the Statement of Financial Performance is the excess of the carrying value over the recoverable amount.

An impairment is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined had no impairment been recognised. A reversal of impairment is recognised in the Statement of Financial Performance.

1.16.5 De-recognition

Items of property, plant and equipment are derecognised when the asset is disposed or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

KNYSNA MUNICIPALITY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

1.17. INTANGIBLE ASSETS

1.17.1 Initial Recognition

An intangible asset is an identifiable non-monetary asset without physical substance.

An asset meets the identifiability criterion in the definition of an intangible asset when it:

- is separable, i.e. is capable of being separated or divided from the entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, asset or liability; or
- arises from contractual rights (including rights arising from binding arrangements) or other legal rights (excluding rights granted by statute), regardless of whether those rights are transferable or separable from the entity or from other rights and obligations.

The Economic entity recognises an intangible asset in its Statement of Financial Position only when it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the Economic entity and the cost or fair value of the asset can be measured reliably.

Internally generated intangible assets are subject to strict recognition criteria before they are capitalised. Research expenditure is never capitalised, while development expenditure is only capitalised to the extent that:

- the Economic entity intends to complete the intangible asset for use or sale;
- it is technically feasible to complete the intangible asset;
- the Economic entity has the resources to complete the project; and
- it is probable that the Economic entity will receive future economic benefits or service potential.

Intangible assets are initially recognised at cost.

Where an intangible asset is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

1.17.2 Subsequent Measurement

Intangible assets are subsequently carried at cost less accumulated amortisation and any accumulated impairments losses. The cost of an intangible asset is amortised over the useful life where that useful life is finite. Where the useful life is indefinite, the asset is not amortised but is subject to an annual impairment test.

1.17.3 Amortisation and Impairment

Amortisation is charged so as to write off the cost or valuation of intangible assets over their estimated useful lives using the straight line method. Amortisation of an asset begins when it is available for use, i.e. when it is in the condition necessary for it to be capable of operating in the manner intended by management. Components of assets that are significant in relation to the whole asset and that have different useful lives are amortised separately. The estimated useful lives, residual values and amortisation method are reviewed at each year end, with the effect of any changes in estimate

KNYSNA MUNICIPALITY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

accounted for on a prospective basis. The annual amortisation rates are based on the following estimated useful lives:

Intangible Assets	**Years**
Computer Software	5 - 10

1.17.4 De-recognition

Intangible assets are derecognised when the asset is disposed or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an intangible asset is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

1.18. INVESTMENT PROPERTY

1.18.1 Initial Recognition

Investment property shall be recognised as an asset when, and only when:

- it is probable that the future economic benefits or service potential that are associated with the investment property will flow to the entity, and
- the cost or fair value of the investment property can be measured reliably.

Investment property includes property (land or a building, or part of a building, or both land and buildings held under a finance lease) held to earn rentals and/or for capital appreciation, rather than held to meet service delivery objectives, the production or supply of goods or services, or the sale of an asset in the ordinary course of operations. Property with a currently undetermined use is also classified as investment property.

At initial recognition, the Economic entity measures investment property at cost including transaction costs once it meets the definition of investment property. However, where an investment property was acquired through a non-exchange transaction (i.e. where it acquired the investment property for no or a nominal value), its cost is its fair value as at the date of acquisition. The cost of self-constructed investment property is measured at cost.

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to owner occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner occupied property becomes an investment property, the Economic entity accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use.

1.18.2 Subsequent Measurement

Investment property is measured using the fair value model. Under the fair value model, investment property is carried at its fair value at the reporting date. Any gain or loss arising from a change in the fair value of the property is included in surplus or deficit for the period in which it arises.

1.18.3 De-recognition

KNYSNA MUNICIPALITY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

Investment property is derecognised when it is disposed or when there are no further economic benefits expected from the use of the investment property. The gain or loss arising on the disposal or retirement of an item of investment property is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

1.19. NON-CURRENT ASSETS HELD FOR SALE

1.19.1 Initial Recognition

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

1.19.2 Subsequent Measurement

Non-current assets held for sale (or disposal group) are measured at the lower of carrying amount and fair value less costs to sell.

A non-current asset is not depreciated (or amortised) while it is classified as held for sale, or while it is part of a disposal group classified as held for sale.

Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale are recognised in surplus or deficit.

1.20. IMPAIRMENT OF NON-FINANCIAL ASSETS

1.20.1 Cash-generating assets

Cash-generating assets are assets held with the primary objective of generating a commercial return.

The Economic entity assesses at each reporting date whether there is an indication that an asset may be impaired. In assessing whether there is any indication that an asset may be impaired, the Economic entity considers, as a minimum, the following indications:

External sources of information

- During the period, an asset's market value has declined significantly more than would be expected as a result of the passage of time or normal use.
- Significant changes with an adverse effect on the entity have taken place during the period, or will take place in the near future, in the technological, market, economic or legal environment in which the entity operates or in the market to which an asset is dedicated.
- Market interest rates or other market rates of return on investments have increased during the period, and those increases are likely to affect the discount rate used in calculating an asset's value in use and decrease the asset's recoverable amount materially.

Internal sources of information

KNYSNA MUNICIPALITY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

- Evidence is available of obsolescence or physical damage of an asset.
- Significant changes with an adverse effect on the entity have taken place during the period, or are expected to take place in the near future, in the extent to which, or manner in which, an asset is used or is expected to be used. These changes include the asset becoming idle, plans to discontinue or restructure the operation to which an asset belongs, plans to dispose of an asset before the previously expected date, and reassessing the useful life of an asset as finite rather than indefinite.
- Evidence is available from internal reporting that indicates that the economic performance of an asset is, or will be, worse than expected.

If any indication exists, or when annual impairment testing for an asset is required, the economic entity estimates the asset's recoverable amount.

The redesignation of assets from a cash-generating asset to a non-cash generating asset or from a non-cash-generating asset to a cash-generating asset shall only occur when there is clear evidence that such a redesignation is appropriate. A redesignation, by itself, does not necessarily trigger an impairment test or a reversal of an impairment loss. Instead, the indication for an impairment test or a reversal of an impairment loss arises from, as a minimum, the indications listed above.

An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used. Impairment losses are recognised in the Statement of Financial Performance in those expense categories consistent with the function of the impaired asset.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the asset is adjusted in future periods to allocate the asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Economic entity estimates the asset's or cash-generating unit's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the Statement of Financial Performance.

1.20.2 Non-cash-generating assets

Non-cash-generating assets are assets other than cash-generating assets.

KNYSNA MUNICIPALITY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

The Economic entity assesses at each reporting date whether there is an indication that an asset may be impaired. In assessing whether there is any indication that an asset may be impaired, the Economic entity considers, as a minimum, the following indications:

External sources of information

- Cessation, or near cessation, of the demand or need for services provided by the asset.
- Significant long-term changes with an adverse effect on the Economic entity have taken place during the period or will take place in the near future, in the technological, legal or government policy environment in which the Economic entity operates.

Internal sources of information

- Evidence is available of physical damage of an asset.
- Significant long-term changes with an adverse effect on the Economic entity have taken place during the period, or are expected to take place in the near future, in the extent to which, or manner in which, an asset is used or is expected to be used. These changes include the asset becoming idle, plans to discontinue or restructure the operation to which an asset belongs, or plans to dispose of an asset before the previously expected date.
- A decision to halt the construction of the asset before it is complete or in a usable condition.
- Evidence is available from internal reporting that indicates that the service performance of an asset is, or will be, significantly worse than expected.

If any indication exists, or when annual impairment testing for an asset is required, the Economic entity estimates the asset's recoverable service amount.

An asset's recoverable service amount is the higher of a non-cash-generating asset's fair value less costs to sell and its value in use. If the recoverable service amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. That reduction is an impairment loss recorded in the Statement of Financial Performance.

The value in use of a non-cash-generating asset is the present value of the asset's remaining service potential. The present value of the remaining service potential of the asset is determined using any one of the following approaches, depending on the nature of the asset in question:

- *depreciated replacement cost approach* - the present value of the remaining service potential of an asset is determined as the depreciated replacement cost of the asset. The replacement cost of an asset is the cost to replace the asset's gross service potential. This cost is depreciated to reflect the asset in its used condition. An asset may be replaced either through reproduction (replication) of the existing asset or through replacement of its gross service potential. The depreciated replacement cost is measured as the reproduction or replacement cost of the asset, whichever is lower, less accumulated depreciation calculated on the basis of such cost, to reflect the already consumed or expired service potential of the asset.

- *restoration cost approach* - the cost of restoring the service potential of an asset to its pre-impaired level. Under this approach, the present value of the remaining service potential of the asset is determined by subtracting the estimated restoration cost of

KNYSNA MUNICIPALITY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

the asset from the current cost of replacing the remaining service potential of the asset before impairment. The latter cost is usually determined as the depreciated reproduction or replacement cost of the asset, whichever is lower.

- *service unit approach* - the present value of the remaining service potential of the asset is determined by reducing the current cost of the remaining service potential of the asset before impairment, to conform to the reduced number of service units expected from the asset in its impaired state. As in the restoration cost approach, the current cost of replacing the remaining service potential of the asset before impairment is usually determined as the depreciated reproduction or replacement cost of the asset before impairment, whichever is lower.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

An impairment loss is recognised immediately in surplus or deficit, unless the asset is carried at a revalued amount in accordance with another Standard of GRAP. Any impairment loss of a revalued asset shall be treated as a revaluation decrease in accordance with that Standard of GRAP.

The Economic entity assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for an asset may no longer exist or may have decreased. If any such indication exists, the Economic entity estimates the recoverable service amount of that asset.

An impairment loss recognised in prior periods for an asset is reversed if there has been a change in the estimates used to determine the asset's recoverable service amount since the last impairment loss was recognised. If this is the case, the carrying amount of the asset is increased to its recoverable service amount. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods. Such a reversal of an impairment loss is recognised in the Statement of Financial Performance.

1.21. NON-CURRENT INVESTMENTS

Investments (financial assets), which include fixed deposits invested in registered commercial banks as well as the investment in any municipal entity, are stated at amortised cost.

Where investments have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the period that the impairment is identified.

On disposal of an investment, the difference between the net disposal proceeds and the carrying amount is charged or credited to the Statement of Financial Performance.

The carrying amounts of such investments are reduced to recognise any decline, other than a temporary decline, in the value of individual investments.

1.22. INVENTORIES

1.22.1 Initial Recognition

Inventories comprise current assets held for sale, consumption or distribution during the ordinary course of business. Inventories shall be recognised as an asset if, and only if, it

is probable that future economic benefits or service potential associated with the item will flow to the entity, and the cost of the inventories can be measured reliably. Inventories are initially recognised at cost. Cost generally refers to the purchase price, plus non-recoverable taxes, transport costs and any other costs in bringing the inventories to their current location and condition. Where inventory is manufactured, constructed or produced, the cost includes the cost of labour, materials and overheads used during the manufacturing process.

Water inventory is being measured by multiplying the cost per kilo litre of purified water by the amount of water in storage.

Where inventory is acquired by the Economic entity for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of the item on the date acquired.

1.22.2 Subsequent Measurement

Inventories, consisting of consumable stores, raw materials, work-in-progress and finished goods, are valued at the lower of cost and net realisable value unless they are to be distributed at no or nominal charge, in which case they are measured at the lower of cost and current replacement cost. Redundant and slow-moving inventories are identified and written down. Differences arising on the valuation of inventory are recognised in the Statement of Financial Performance in the year in which they arose. The amount of any reversal of any write-down of inventories arising from an increase in net realisable value or current replacement cost is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

The carrying amount of inventories is recognised as an expense in the period that the inventory was sold, distributed, written off or consumed, unless that cost qualifies for capitalisation to the cost of another asset.

The basis of allocating cost to inventory items is the weighted average method.

Water inventory is measured annually at the reporting date by way of dip readings and the calculated volume in the distribution network.

1.23. FINANCIAL INSTRUMENTS

Financial instruments recognised on the Statement of Financial Position include receivables from exchange transactions, cash and cash equivalents, annuity loans and payables. The future utilization of Unspent Conditional Grants is evaluated in order to determine whether it is treated as financial instruments.

1.23.1 Initial Recognition

Financial instruments are initially recognised when the Economic entity becomes a party to the contractual provisions of the instrument at fair value plus, in the case of a financial asset or financial liability not at fair value, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability. If finance charges in respect of financial assets and financial liabilities are significantly different from similar charges usually obtained in an open market transaction, adjusted for the specific risks of the municipality, such differences are immediately recognised in the period it occurs, and the unamortised portion adjusted over the period of the loan transactions.

KNYSNA MUNICIPALITY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

1.23.2 Subsequent Measurement

Financial Assets are categorised according to their nature as either financial assets at fair value, financial assets at amortised cost or financial assets at cost. Financial Liabilities are categorised as either at fair value, financial liabilities at cost or financial liabilities carried at amortised cost (”other”). The subsequent measurement of financial assets and liabilities depends on this categorisation.

1.23.2.1 Receivables

Receivables are classified as financial assets at amortised cost, and are subsequently measured amortised cost using the effective interest rate method.

For amounts due from debtors carried at amortised cost, the Economic entity first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. Objective evidence of impairment includes significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation and default or delinquency in payments (more than 90 days overdue). If the Economic entity determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between an asset’s carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the Statement of Financial Performance. Interest income continues to be accrued on the reduced carrying amount based on the original effective interest rate of the asset. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the economic entity. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is recognised in the Statement of Financial Performance.

The present value of the estimated future cash flows is discounted at the financial asset’s original effective interest rate, if material. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

1.23.2.2 Payables and Annuity Loans

Financial liabilities consist of payables and annuity loans. They are categorised as financial liabilities held at amortised cost, are initially recognised at fair value and subsequently measured at amortised cost using an effective interest rate, which is the initial carrying amount, less repayments, plus interest.

1.23.2.3 Cash and Cash Equivalents

KNYSNA MUNICIPALITY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

Cash includes cash on hand (including petty cash) and cash with banks. Cash equivalents are short-term highly liquid investments, readily convertible into known amounts of cash that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, highly liquid deposits and net of bank overdrafts. The Economic entity categorises cash and cash equivalents as financial assets carried at amortised cost.

1.23.3 De-recognition of Financial Instruments

1.23.3.1 *Financial Assets*

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- the rights to receive cash flows from the asset have expired; or
- the Economic entity has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Economic entity has transferred substantially all the risks and rewards of the asset, or (b) the Economic entity has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Economic entity has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the old asset is derecognised and a new asset is recognised to the extent of the Economic entity's continuing involvement in the asset.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Economic entity could be required to repay.

1.23.3.2 *Financial Liabilities*

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a de-recognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the Statement of Financial Performance.

1.23.4 Offsetting of Financial Instruments

Financial assets and financial liabilities are offset and the net amount reported in the Statement of Financial Position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

1.24. REVENUE

KNYSNA MUNICIPALITY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

1.24.1 Revenue from Non-Exchange Transactions

Revenue from non-exchange transactions refers to transactions where the Economic entity received revenue from another entity without directly giving approximately equal value in exchange. Revenue from non-exchange transactions is generally recognised to the extent that the related receipt or receivable qualifies for recognition as an asset and there is no liability to repay the amount.

Grants, transfers and donations received or receivable are recognised when the resources that have been transferred meet the criteria for recognition as an asset. A corresponding liability is raised to the extent that the grant, transfer or donation is conditional. The liability is transferred to revenue as and when the conditions attached to the grant are met. Grants without any conditions attached are recognised as revenue when the asset is recognised.

Revenue from property rates is recognised when the legal entitlement to this revenue arises. At the time of initial recognition the full amount of revenue is recognised where the Economic entity has an enforceable legal obligation to collect, unless the individual collectability is considered to be improbable. If the Economic entity does not successfully enforce its obligation to collect the revenue this would be considered a subsequent event. Rebates and discounts are offset against the related revenue, in terms of iGRAP 1, as there is no intention of collecting this revenue.

Penalty interest on unpaid rates is recognised on a time proportionate basis as an exchange transaction.

Fine Revenue constitutes both spot fines and summonses.

Revenue from spot fines and summonses is recognised based on an estimation of future collections of fines issued based on prior period trends and collection percentages.

Revenue from public contributions and donations is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment qualifies for recognition and first becomes available for use by the Economic entity. Where public contributions have been received but the Economic entity has not met the related conditions, it is recognised as an unspent public contribution (liability).

Revenue from third parties i.e. insurance payments for assets impaired, are recognised when it can be measured reliably and is not being offset against the related expenses of repairs or renewals of the impaired assets.

Contributed property, plant and equipment is recognised when such items of property, plant and equipment qualifies for recognition and become available for use by the Economic entity.

All unclaimed deposits are initially recognised as a liability until 12 months expires, when all unclaimed deposits into the Economic entity's bank account will be treated as revenue as historical patterns have indicated that minimal unidentified deposits are reclaimed after a period of twelve months. This assessment is performed annually at 30 June. Therefore the substance of these transactions indicate that even though the prescription period for unclaimed monies is legally three years, it is reasonable to recognised all unclaimed monies older than twelve months as revenue. Although unclaimed deposits are recognised as revenue after 12 months, the Economic entity still keeps record of these

KNYSNA MUNICIPALITY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

unclaimed deposits for three years in the event that a party should submit a claim after 12 months, in which case it is being expensed.

Revenue from the recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act No. 56 of 2003) and is recognised when the recovery thereof from the responsible councillors or officials is virtually certain.

Revenue shall be measured at the fair value of the consideration received or receivable.

When, as a result of a non-exchange transaction, a Economic entity recognises an asset, it also recognises revenue equivalent to the amount of the asset measured at its fair value as at the date of acquisition, unless it is also required to recognise a liability. Where a liability is required to be recognised it will be measured as the best estimate of the amount required to settle the present obligation at the reporting date, and the amount of the increase in net assets, if any, recognised as revenue. When a liability is subsequently reduced, because the taxable event occurs or a condition is satisfied, the amount of the reduction in the liability will be recognised as revenue.

1.24.2 Revenue from Exchange Transactions

Revenue from exchange transactions refers to revenue that accrued to the Economic entity directly in return for services rendered/ goods sold, the value of which approximates the consideration received or receivable. At the time of initial recognition the full amount of revenue is recognised where the Economic entity has an enforceable legal obligation to collect, unless the individual collectability is considered to be improbable. If the Economic entity does not successfully enforce its obligation to collect the revenue this would be considered a subsequent event.

Service charges relating to electricity and water are based on consumption and a basic charge as per Council resolution. Meters are read on a monthly basis and are recognised as revenue when invoiced. Where the Economic entity was unable to take the actual month's reading of certain consumers, a provisional estimate of consumption for that month will be created. The provisional estimates of consumption are recognised as revenue when invoiced. Adjustments to provisional estimates of consumption are made in the invoicing period in which meters have been read. These adjustments are recognised as revenue in the invoicing period.

Revenue from the sale of electricity prepaid meter cards is recognised at the point of sale. It is estimated that pre-paid electricity is consumed within 5 to 10 days after date of purchase. The pre-paid electricity sold, but not consumed yet at year-end is disclosed as Payables from Exchange Transactions in the Statement of Financial Position.

Service charges relating to refuse removal are recognised on an annual basis in advance by applying the approved tariff to each property that has improvements. Tariffs are determined per category of property usage.

Service charges from sanitation (sewerage) are recognised on an annual basis in advance by applying the approved tariff to each property that has improvements.

Interest revenue is recognised using the effective interest rate method.

Revenue from the rental of facilities and equipment is recognised on a straight-line basis over the term of the lease agreement.

KNYSNA MUNICIPALITY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

Revenue arising from the application of the approved tariff of charges is recognised when the relevant service is rendered by applying the relevant tariff. This includes the issuing of licences and permits.

Revenue from the sale of goods is recognised when:

a) substantially all the risks and rewards in those goods are passed to the consumer; and
b) the municipality seizes managerial involvement and control of the goods; and
c) the amount of the revenue can be measured reliably; and
d) it is probable that economic benefits or service potential associated with the transaction will flow to the municipality; and
e) the costs incurred or to be incurred can be measured reliably.

Revenue arising out of situations where the economic entity acts as an agent on behalf of another entity (the principal) is limited to the amount of any fee or commission payable to the Economic entity as compensation for executing the agreed services.

The amount of revenue arising on a transaction is usually determined by agreement between the entity and the purchaser or user of the asset or service. It is measured at the fair value of the consideration received or receivable taking into account the amount of any trade discounts and volume rebates allowed by the entity.

In most cases, the consideration is in the form of cash or cash equivalents and the amount of revenue is the amount of cash or cash equivalents received or receivable. However, when the inflow of cash or cash equivalents is deferred, the fair value of the consideration may be less than the nominal amount of cash received or receivable. When the arrangement effectively constitutes a financing transaction, the fair value of the consideration is determined by discounting all future receipts using an imputed rate of interest. The imputed rate of interest is the more clearly determinable of either:

- The prevailing rate for a similar instrument of an issuer with a similar credit rating; or
- A rate of interest that discounts the nominal amount of the instrument to the current cash sales price of the goods or services.

The difference between the fair value and the nominal amount of the consideration is recognised as interest revenue.

When goods or services are exchanged or swapped for goods or services which are of a similar nature and value, the exchange is not regarded as a transaction that generates revenue. When goods are sold or services are rendered in exchange for dissimilar goods or services, the exchange is regarded as a transaction that generates revenue. The revenue is measured at the fair value of the goods or services received, adjusted by the amount of any cash or cash equivalents transferred. When the fair value of the goods or services received cannot be measured reliably, the revenue is measured at the fair value of the goods or services given up, adjusted by the amount of any cash or cash equivalents transferred.

1.25. RELATED PARTIES

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions or if the related party entity and another entity are subject to common control.

Related parties include:

KNYSNA MUNICIPALITY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

- Entities that directly, or indirectly through one or more intermediaries, control, or are controlled by the reporting entity;
- Individuals owning, directly or indirectly, an interest in the reporting entity that gives them significant influence over the entity, and close members of the family of any such individual;
- Key management personnel, and close members of the family of key management personnel; and
- Entities in which a substantial ownership interest is held, directly or indirectly, by any person described in the 2nd and 3rd bullet, or over which such a person is able to exercise significant influence.

Key management personnel include:

- All directors or members of the governing body of the Economic entity, being the Executive Mayor, Deputy Mayor, Speaker and members of the Mayoral Committee.
- Other persons having the authority and responsibility for planning, directing and controlling the activities of the economic entity being the Municipal Manager, Chief Financial Officer and all other managers reporting directly to the Municipal Manager or as designated by the Municipal Manager.

The Economic entity operates in an economic environment currently dominated by entities directly or indirectly owned by the South African government. As a result of the Constitutional independence of all three spheres of government in South Africa, only parties within the same sphere of government will be considered to be related parties. Only transactions with such parties which are not at arms length and not on normal commercial terms are disclosed.

1.26. UNAUTHORISED EXPENDITURE

Unauthorised expenditure is expenditure that has not been budgeted, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, economic entity or organ of state and expenditure in a form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No. 56 of 2003). Unauthorised expenditure is accounted for as an expense (measured at actual cost incurred) in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.27. IRREGULAR EXPENDITURE

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No. 56 of 2003), the Municipal Systems Act (Act No. 32 of 2000), the Public Office Bearers Act, and (Act. No. 20 of 1998) or is in contravention of the Economic entity's Supply Chain Management Policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure (measured at actual cost incurred) in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.28. FRUITLESS AND WASTEFUL EXPENDITURE

Fruitless and wasteful expenditure is expenditure that was made in vain and could have been avoided had reasonable care been exercised. Fruitless and wasteful expenditure is accounted for as expenditure (measured at actual cost incurred) in the Statement of

KNYSNA MUNICIPALITY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.29. CONTINGENT LIABILITIES AND CONTINGENT ASSETS

A contingent liability is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity. A contingent liability could also be a present obligation that arises from past events, but is not recognised because it is not probable that an outflow of resources embodying economic benefits will be required to the obligation or the amount of the obligation cannot be measures with sufficient reliability.

The Economic entity does not recognise a contingent liability or contingent asset. A contingent liability is disclosed unless the probability of an outflow of resources embodying economic benefits or service potential is remote. A contingent asset is disclosed where the inflow of economic benefits or service potential is probable.

Management judgement is required when recognising and measuring contingent liabilities.

1.30. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

In the process of applying the Economic entity's accounting policy, management has made the following significant accounting judgements, estimates and assumptions, which have the most significant effect on the amounts recognised in the financial statements:

Post-retirement medical obligations and Long service awards

The cost of post retirement medical obligations, long service awards and ex-gratia gratuities are determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, expected rates of return on assets, future salary increases, mortality rates and future pension increases. Major assumptions used are disclosed in note 4 of the Annual Financial Statements. Due to the long-term nature of these plans, such estimates are subject to significant uncertainty.

Impairment of Receivables

The calculation in respect of the impairment of debtors is based on an assessment of the extent to which debtors have defaulted on payments already due, and an assessment of their ability to make payments based on their creditworthiness. This was performed per service-identifiable categories across all classes of debtors.

Property, Plant and Equipment

The useful lives of property, plant and equipment are based on management's estimation. Infrastructure's useful lives are based on technical estimates of the practical useful lives for the different infrastructure types, given engineering technical knowledge of the infrastructure types and service requirements. For other assets and buildings management considers the impact of technology, availability of capital funding, service requirements and required return on assets to determine the optimum useful life expectation, where appropriate. The estimation of residual values of assets is also based on management's judgement whether the assets will be sold or used to the end of their useful lives, and in what condition they will be at that time.

KNYSNA MUNICIPALITY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

Management referred to the following when making assumptions regarding useful lives and residual values of Property, Plant and Equipment.

- The useful life of movable assets was determined using the age of similar assets available for sale in the active market. Discussions with people within the specific industry were also held to determine useful lives.
- Local Government Industry Guides was used to assist with the deemed cost and useful life of infrastructure assets.
- The Economic entity referred to buildings in other municipal areas to determine the useful life of buildings. The Economic entity also consulted with engineers to support the useful life of buildings, with specific reference to the structural design of buildings.

Intangible Assets

The useful lives of intangible assets are based on management's estimation. Management considers the impact of technology, availability of capital funding, service requirements and required return on assets to determine the optimum useful life expectation, where appropriate.

Management referred to the following when making assumptions regarding useful lives of intangible assets:

- Reference was made to intangibles used within the Economic entity and other municipalities to determine the useful life of the assets.

Provisions and Contingent Liabilities

Management judgement is required when recognising and measuring provisions and when measuring contingent liabilities. Provisions are discounted where the time value effect is material.

Revenue Recognition

Accounting Policy 1.24.1 on Revenue from Non-Exchange Transactions and Accounting Policy 1.24.2 on Revenue from Exchange Transactions describes the conditions under which revenue will be recognised by management of the Economic entity.

In making their judgement, management considered the detailed criteria for the recognition of revenue as set out in GRAP 9: Revenue from Exchange Transactions and GRAP 23: Revenue from Non-Exchange Transactions. Specifically, whether the Economic entity, when goods are sold, had transferred to the buyer the significant risks and rewards of ownership of the goods and when services are rendered, whether the service has been performed. Revenue from the issuing of spot fines and summonses has been recognised on the accrual basis using estimates of future collections based on the actual results of prior periods. The management of the Economic entity is satisfied that recognition of the revenue in the current year is appropriate.

Provision for Landfill Sites

The provision for rehabilitation of the landfill site is recognised as and when the environmental liability arises. The provision is calculated by a qualified environmental engineer. The provision represents the net present value at the reporting date of the expected future cash flows to rehabilitate the landfill site. To the extent that the obligations relate to an asset, it is capitalised as part of the cost of those assets. Any

KNYSNA MUNICIPALITY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

subsequent changes to an obligation that did not relate to the initial related asset are charged to the Statement of Financial Performance.

Management referred to the following when making assumptions regarding provisions:

- Professional engineers were utilised to determine the cost of rehabilitation of landfill sites as well as the remaining useful life of each specific landfill site.
- Interest rates (investment rate) linked to prime was used to calculate the effect of time value of money.

Provision for Clearing of Alien Vegetation

The Economic entity has an obligation to clear alien vegetation. The provision represents the present cost to clear the alien vegetation. This was based on the current clearing cost per hectare and the total size of the land to be cleared. Assessment of the clearing costs is based on quotations from a specialist supplier and is made every second year and adjusted for inflationary in the alternate years.

Provision for Task Implementation

The provision at 30 June for Task Implementation represents the Economic entity's obligation towards qualifying officials as a result of a new national grading system for municipalities which came into effect on 1 October 2009. The calculation was based on the difference between the current basic salaries compared to the basic salaries as per the new TASK grading. The difference between these two packages was backdated to the implementation date of the TASK grading system.

Provision for Staff leave

Staff leave is accrued to employees according to collective agreements. Provision is made for the full cost of accrued leave at reporting date. This provision will be realised as employees take leave or when employment is terminated.

Provision for Performance bonuses

The provision for performance bonuses represents the best estimate of the obligation at year end and is based on historic patterns of payment of performance bonuses. Performance bonuses are subject to an evaluation by Council.

Pre-paid electricity estimation

Pre-paid electricity is only recognised as income once the electricity is consumed. The pre-paid electricity balance (included under payables) represents the best estimate of electricity sold at year end that is still unused. The average pre-paid electricity sold per day during the year under review is used and the estimate is calculated using between 5 and 10 days' worth of unused electricity.

Componentisation of Infrastructure assets

All infrastructure assets are unbundled into their significant components in order to depreciate all major components over the expected useful lives. The cost of each component is estimated based on the current market price of each component,

KNYSNA MUNICIPALITY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

depreciated for age and condition and recalculated to cost at the acquisition date if known or to the date of initially adopting the standards of GRAP.

Taxation

Judgement is required in determining the provision for income taxes due to the complexity of legislation. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Economic entity recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

The Economic entity recognises the net future tax benefit related to deferred income tax assets to the extent that it is probable that the deductible temporary differences will reverse in the foreseeable future. Assessing the recoverability of deferred income tax assets requires the Economic entity to make significant estimates related to expectations of future taxable income. Estimates of future taxable income are based on forecast cash flows from operations and the application of existing tax laws in each jurisdiction. To the extent that future cash flows and taxable income differ significantly from estimates, the ability of the Economic entity to realise the net deferred tax assets recorded at the reporting date could be impacted.

1.31. TAXATION

Current tax assets and liabilities

Current tax for current and prior periods is, to the extent unpaid, recognised as a liability. If the amount already paid in respect of current and prior periods exceeds the amount due for those periods, the excess is recognised as an asset.

Current tax liabilities/(assets) for the current and prior periods are measured at the amount expected to be paid to/(recovered from) the tax authorities, using the tax rates and tax laws that have been enacted or substantively enacted by the reporting date.

Deferred tax assets and liabilities

Deferred tax liability is recognised for all taxable temporary differences, except to the extent that the deferred tax liability arises from the initial recognition of an asset or liability in a transaction which at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss).

A deferred tax asset is recognised for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised. A deferred tax asset is not recognised when it arises from the initial recognition of an asset or liability in a transaction at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss).

A deferred tax asset is recognised for the carry forward of unused tax losses and unused STC credits to the extent that it is probable that future taxable profit will be available against which the unused tax losses and unused STC credits can be utilised.

KNYSNA MUNICIPALITY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the reporting date.

Tax expenses

Current and deferred taxes are recognised as income or an expense and included in surplus/deficit for the period.

Current tax and deferred taxes are charged or credited directly to equity if the tax relates to items that are credited or charged, in the same or a different period, directly to equity.

1.32. TAXES – VALUE ADDED TAX

Revenue, expenses and assets are recognised net of the amounts of value added tax. The net amount of Value Added Tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the Statement of Financial Position.

1.33. CAPITAL COMMITMENTS

Capital commitments disclosed in the financial statements represents the balance committed to capital projects on reporting date that will be incurred in the period subsequent to the specific reporting date.

1.34. AMENDED DISCLOSURE POLICY

Amendments to accounting policies are reported as and when deemed necessary based on the relevance of any such amendment to the format and presentation of the financial statements. The principal amendments to matters disclosed in the current financial statements include fundamental errors, and the treatment of assets financed by external grants.

KNYSNA MUNICIPALITY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

		Economic Entity		Knysna Municipality	
		2012	2011	2012	2011
2	**NET ASSET RESERVES**	R	R	R	R
	RESERVES	65 306 742	19 614 615	65 306 742	19 614 615
	Capital Replacement Reserve	4 692 214	5 199 523	4 692 214	5 199 523
	Employee Benefits Reserve	6 153 045	5 242 645	6 153 045	5 242 645
	Housing Development Fund	2 736 132	3 057 395	2 736 132	3 057 395
	Non-Current Provisions Reserve - Restated 2011 - Note 40.08	3 418 794	6 115 051	3 418 794	6 115 051
	Revaluations Reserve	47 894 557	-	47 894 557	-
	Valuation Roll Reserve	412 000	-	412 000	-
	Total Net Asset Reserve and Liabilities	**65 306 742**	**19 614 615**	**65 306 742**	**19 614 615**

Reserves are provided for according to the municipality's Funding and Reserves Policy, which is prepared in accordance with the Municipal Budget and Reporting Regulations.

3	**LONG TERM LIABILITIES**				
	Annuity Loans - At amortised cost	159 197 237	166 300 462	159 197 237	166 300 462
	Local Registered Stock	3 033 003	3 033 003	3 033 003	3 033 003
	Capitalised Lease Liability - At amortised cost	2 437 172	4 209 038	2 437 172	4 209 038
		164 667 412	**173 542 503**	**164 667 412**	**173 542 503**
	Less: Current Portion transferred to Current Liabilities	**(17 258 767)**	**(17 180 613)**	**(17 258 767)**	**(17 180 613)**
	Annuity Loans - At amortised cost	(15 506 163)	(15 189 735)	(15 506 163)	(15 189 735)
	Capitalised Lease Liability - At amortised cost	(1 752 604)	(1 990 878)	(1 752 604)	(1 990 878)
		147 408 645	**156 361 890**	**147 408 645**	**156 361 890**
	Plus: Unamortised charges on loans	**1 012 492**	**1 611 699**	**1 012 492**	**1 611 699**
	Balance at beginning of year	1 611 699	2 289 316	1 611 699	2 289 316
	Adjustment for the period	(599 208)	(677 617)	(599 208)	(677 617)
	Total Long-term Liabilities - At amortised cost using the effective interest rate method	**148 421 137**	**157 973 589**	**148 421 137**	**157 973 589**

The obligations under annuity loans are scheduled below:	Minimum annuity payments		Minimum annuity payments	
Amounts payable under annuity loans:				
Payable within one year	30 683 042	31 626 699	30 683 042	31 626 699
Payable within two to five years	96 574 980	104 389 211	96 574 980	104 389 211
Payable after five years	140 952 464	151 359 946	140 952 464	151 359 946
	268 210 486	287 375 856	268 210 486	287 375 856
Less: Future finance obligations	(109 013 249)	(121 075 393)	(109 013 249)	(121 075 393)
Present value of annuity obligations	**159 197 237**	**166 300 462**	**159 197 237**	**166 300 462**

The obligations under stock loans are scheduled below:	Minimum stock loan payments		Minimum stock loan payments	
Amounts payable under stock loans:				
Payable within one year	496 606	496 606	496 606	496 606
Payable within two to five years	2 979 868	3 359 593	2 979 868	3 359 593
Payable after five years	885 841	1 002 722	885 841	1 002 722
	4 362 315	4 858 922	4 362 315	4 858 922
Less: Future finance obligations	(1 329 313)	(1 825 919)	(1 329 313)	(1 825 919)
Present value of stock loan obligations	**3 033 003**	**3 033 003**	**3 033 003**	**3 033 003**

The obligations under finance leases are scheduled below:	Minimum lease payments		Minimum lease payments	
Amounts payable under finance leases:				
Payable within one year	1 928 473	2 278 178	1 928 473	2 278 178
Payable within two to five years	729 290	2 494 974	729 290	2 494 974
	2 657 763	4 773 152	2 657 763	4 773 152
Less: Future finance obligations	(220 591)	(564 114)	(220 591)	(564 114)
Present value of lease obligations	**2 437 172**	**4 209 038**	**2 437 172**	**4 209 038**

Refer to Appendix A for descriptions, maturity dates and effective interest rates of structured loans and finance leases.

Leases are secured by property, plant and equipment - Note 13

The capitalised lease liability consists of the following contracts:

Supplier	Description of leased item	Effective Interest rate	Annual Escalation	Lease Term	Maturity Date
Canon	Copiers and PABX Systems	9%-12%	0%-10%	3-5 Years	31 Jul 2012 - 31 Oct 2014
Konica Minolta	Copiers	9%	0%	3 Years	28 Feb 2013 - 28 Feb 2014
Nashua	Copiers	9%	0%	3 Years	30 Nov 2013

KNYSNA MUNICIPALITY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

3 LONG TERM LIABILITIES (CONTINUED)

LOCAL REGISTERED STOCK

Bear interest at rates between 16% and 17% per annum and are repayable over periods of between two and six years.

ANNUITY LOANS

Bear interest at rates between 0% and 14% per annum. Fixed Deposits of R 16,863,342 (2011: R 14,966,107) and Term Deposit of R 7,804,936 (2011: R 7,376,373) have been pledged to DBSA as guarantees for external loans taken up. (See notes 17 and 23)

	Economic Entity		Knysna Municipality	
4 EMPLOYEE BENEFITS	**2012 R**	**2011 R**	**2012 R**	**2011 R**
Post Retirement Benefits - Refer to Note 4.1	62 031 404	52 394 826	62 031 404	52 394 826
Provision for Ex-Gratia Pension Benefits - Refer to Note 4.2	271 188	435 212	271 188	435 212
Long Service Awards - Refer to Note 4.3	7 779 614	6 440 375	7 779 614	6 440 375
Total Non-current Employee Benefit Liabilities	**70 082 206**	**59 270 413**	**70 082 206**	**59 270 413**
Post Retirement Medical Benefits				
Balance at beginning of year	53 989 710	44 249 234	53 989 710	44 249 234
Contribution for the year	7 232 345	6 119 223	7 232 345	6 119 223
Expenditure for the year	(1 900 867)	(1 563 002)	(1 900 867)	(1 563 002)
Actuarial Loss/(Gain)	4 519 132	5 184 255	4 519 132	5 184 255
Total post retirement benefits 30 June	**63 840 320**	**53 989 710**	**63 840 320**	**53 989 710**
Less: Transfer of Current Portion to Current Employee Benefits - Note 7	(1 808 916)	(1 594 884)	(1 808 916)	(1 594 884)
Balance at end of year	**62 031 404**	**52 394 826**	**62 031 404**	**52 394 826**
Ex-Gratia Pensions				
Balance at beginning of year	458 301	429 069	458 301	429 069
Contribution for the year	32 882	34 133	32 882	34 133
Expenditure for the year	(40 638)	(42 480)	(40 638)	(42 480)
Actuarial Loss/(Gain)	(127 207)	37 579	(127 207)	37 579
Total provision 30 June	**323 338**	**458 301**	**323 338**	**458 301**
Less: Transfer of Current Portion to Current Employee Benefits - Note 7	(52 150)	(23 089)	(52 150)	(23 089)
Balance at end of year	**271 188**	**435 212**	**271 188**	**435 212**
Long Service Awards				
Balance at beginning of year	7 101 526	5 466 397	7 101 526	5 466 397
Contribution for the year	1 436 470	1 129 299	1 436 470	1 129 299
Expenditure for the year	(513 083)	(327 188)	(513 083)	(327 188)
Actuarial Loss/(Gain)	542 570	833 018	542 570	833 018
Total long service 30 June	**8 567 483**	**7 101 526**	**8 567 483**	**7 101 526**
Less: Transfer of Current Portion to Current Employee Benefits - Note 7	(787 869)	(661 151)	(787 869)	(661 151)
Balance at end of year	**7 779 614**	**6 440 375**	**7 779 614**	**6 440 375**
TOTAL NON-CURRENT EMPLOYEE BENEFITS				
Balance at beginning of year	61 549 537	50 144 700	61 549 537	50 144 700
Contribution for the year	8 701 697	7 282 655	8 701 697	7 282 655
Expenditure for the year	(2 454 588)	(1 932 670)	(2 454 588)	(1 932 670)
Actuarial Loss/(Gain)	4 934 495	6 054 852	4 934 495	6 054 852
Total employee benefits 30 June	**72 731 141**	**61 549 537**	**72 731 141**	**61 549 537**
Less: Transfer of Current Portion to Current Employee Benefits - Note 7	(2 648 935)	(2 279 124)	(2 648 935)	(2 279 124)
Balance at end of year	**70 082 206**	**59 270 413**	**70 082 206**	**59 270 413**

4.1 Post Retirement Benefits

The Post Retirement Benefit Plan is a defined benefit plan, of which the members are made up as

In-service (employee) members	638	638	638	638
Continuation members (e.g. Retirees, widows, orphans)	59	60	59	60
Total Members	**697**	**698**	**697**	**698**

The liability in respect of past service has been estimated to be as follows:

In-service members	35 606 739	28 850 351	35 606 739	28 850 351
Continuation members	28 233 581	25 139 359	28 233 581	25 139 359
Total Liability	**63 840 320**	**53 989 710**	**63 840 320**	**53 989 710**

KNYSNA MUNICIPALITY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

4 EMPLOYEE BENEFITS (CONTINUED)

Economic Entity

The liability in respect of periods commencing prior to the comparative year has been estimated as follows:

	2010 R R	2009	2008 R
Members	44 249 234	44 727 097	39 936 000
Total Liability	**44 249 234**	**44 727 097**	**39 936 000**

The municipality makes monthly contributions for health care arrangements to the following medical aid schemes:

Bonitas;
LA Health
Hosmed
SAMWU Medical Aid; and
Key health.

The Future-service Cost for the ensuing year is estimated to be R3 050 583, whereas the Interest Cost for the next year is estimated to be R5 009 492.

Sensitivity Analysis on the future service cost and interest cost

Assumption		Current Service Cost	Interest Cost	Total	% change
Central Assumptions		2 594 000	4 638 300	7 232 300	
The effect of movements in the assumptions are as follows:					
Health care inflation	1%	3 268 400	5 501 300	8 769 700	21%
Health care inflation	-1%	2 079 700	3 947 700	6 027 400	-17%
Post-retirement mortality	-1 year	2 679 300	4 801 600	7 480 900	3%
Average retirement age	-1 year	2 814 100	4 857 900	7 672 000	6%
Withdrawal Rate	-50%	3 038 500	4 949 900	7 988 400	10%

	Economic Entity		Knysna Municipality	
Key actuarial assumptions used:	2012 %	2011 %	2012 %	2011 %
i) Rate of interest				
Discount rate	7.96%	8.72%	7.96%	8.72%
Health Care Cost Inflation Rate	6.89%	7.30%	6.89%	7.30%
Net Effective Discount Rate	1.00%	1.32%	1.00%	1.32%

The discount rate was determined by deducing from the yield curve from the Bond Exchange of South Africa after the market closed at the reporting date.

ii) Mortality rates

The PA 90 ultimate table, rated down by 1 year of age was used by the actuaries.

iii) Normal retirement age

It has been assumed that in-service members will retire at age 63, which then implicitly allows for expected rates of early and ill-health retirement.

	Economic Entity		Knysna Municipality	
	2012 R	2011 R	2012 R	2011 R
The amounts recognised in the Statement of Financial Position are as follows:				
Present value of fund obligations	63 840 320	53 989 710	63 840 320	53 989 710
Net liability/(asset)	**63 840 320**	**53 989 710**	**63 840 320**	**53 989 710**
Reconciliation of present value of fund obligation:				
Present value of fund obligation at the beginning of the year	53 989 710	44 249 234	53 989 710	44 249 234
Total expenses	5 331 479	4 556 222	5 331 479	4 556 222
Current service cost	2 594 044	2 101 696	2 594 044	2 101 696
Interest Cost	4 638 301	4 017 527	4 638 301	4 017 527
Benefits Paid	(1 900 867)	(1 563 002)	(1 900 867)	(1 563 002)
Actuarial (gains)/losses	4 519 132	5 184 255	4 519 132	5 184 255
Present value of fund obligation at the end of the year	63 840 320	53 989 710	63 840 320	53 989 710
Less: Transfer of Current Portion to Current Employee Benefits - Note 7	(1 808 916)	(1 594 884)	(1 808 916)	(1 594 884)
Balance at end of year	**62 031 404**	**52 394 826**	**62 031 404**	**52 394 826**

KNYSNA MUNICIPALITY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

		2012 R	2011 R	2012 R	2011 R

4 EMPLOYEE BENEFITS (CONTINUED)

Economic Entity

Sensitivity Analysis on the Accrued Liability

Assumption		In-service members liability (Rm)	Continuation members liability (Rm)	Total liability (Rm)	% change
Central Assumptions		35.607	28.234	63.840	
The effect of movements in the assumptions are as follows:					
Health care inflation	1%	44.226	31.507	75.732	19%
Health care inflation	-1%	28.938	25.416	54.354	-15%
Post-retirement mortality	-1 year	36.836	29.317	66.153	4%
Average retirement age	-1 year	38.591	28.234	66.825	5%
Withdrawal Rate	-50%	39.984	28.234	68.218	7%

4.2 Provision for Ex-Gratia Pension Benefits

The Ex-Gratia plans are defined benefit plans. As at year end, 7 (2011 = 7) employees were eligible for Ex-Gratia payments.

There is no Future-service Costs as there are no current in-service members eligible for ex-gratia payments, whereas the Interest cost for the next year is estimated to be R17 728.

Sensitivity Analysis on the interest cost

Assumption	% change	Liability	Change
Central assumptions		32 882	
Pension increase rate	1%	35 598	8%
Pension increase rate	-1%	30 501	-7%
Post retirement mortality	-1 Yrs	34 422	5%

Net Effective Discount Rate (increasing pensions)	5.96%	2.20%	5.96%	2.20%
Net Effective Discount Rate (level pensions)	0.00%	7.63%	0.00%	7.63%

The discount rate was determined by deducing from the yield curve from the Bond Exchange of South Africa after the market closed at the reporting date.

	2012 R	2011 R	2012 R	2011 R
The amounts recognised in the Statement of Financial Position are as follows:				
Present value of fund obligations	323 338	458 301	323 338	458 301
Net liability/(asset)	**323 338**	**458 301**	**323 338**	**458 301**
Reconciliation of present value of fund obligation:				
Present value of fund obligation at the beginning of the year	458 301	429 069	458 301	429 069
Total expenses	(7 756)	(8 347)	(7 756)	(8 347)
Interest Cost	32 882	34 133	32 882	34 133
Benefits Paid	(40 638)	(42 480)	(40 638)	(42 480)
Actuarial (gains)/losses	(127 207)	37 579	(127 207)	37 579
Present value of fund obligation at the end of the year	**323 338**	**458 301**	**323 338**	**458 301**
Less: Transfer of Current Portion to Current Employee Benefits - Note 7	(52 150)	(23 089)	(52 150)	(23 089)
Balance at end of year	**271 188**	**435 212**	**271 188**	**435 212**

Economic Entity

The liability in respect of periods commencing prior to the comparative year has been estimated as follows:

	2010 R	2009 R	2008 R
Members	429 069	613 868	620 565
Total Liability	**429 069**	**613 868**	**620 565**

Sensitivity Analysis on the Unfunded Accrued Liability

Assumption	Change	Liability (Rm) %	change
Central assumptions		32.882	
Pension increase rate	1%	35.598	8%
Pension increase rate	-1%	30.501	-7%
Post retirement mortality	1 Yrs	34.422	5%

KNYSNA MUNICIPALITY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

		2012 R	2011 R	2012 R	2011 R

4 EMPLOYEE BENEFITS (CONTINUED)

4.3 Long Service Awards

The Long Service Awards plans are defined benefit plans. As at year end, 630 (2011 = 627) employees were eligible for Long Service Awards.

The Future-service Cost for the ensuing year is estimated to be R1 011 432, whereas the Interest Cost for the next year is estimated to be R541 502.

Sensitivity Analysis on the future service cost and interest cost

Assumption		Current Service Cost	Interest Cost	Total	% change
Central Assumptions		904 375	532 095	1 436 470	
The effect of movements in the assumptions are as follows:					
General salary inflation	1%	963 657	575 050	1 538 707	7%
General salary inflation	-1%	852 221	493 782	1 346 003	-6%
Average retirement age	-2 years	844 995	468 470	1 313 465	-9%
Average retirement age	+2 years	967 372	595 807	1 563 179	9%
Withdrawal Rate	-50%	1 112 225	650 478	1 762 703	23%

	Economic Entity		Knysna Municipality	
	2012 %	2011 %	2012 %	2011 %
Key actuarial assumptions used:				
i) Rate of interest				
Discount rate	6.62%	7.85%	6.62%	7.85%
General Salary Inflation (long-term)	5.96%	6.28%	5.96%	6.28%
Net Effective Discount Rate applied to salary-related Long Service Awards	0.62%	1.48%	0.62%	1.48%

The discount rate was determined by deducing from the yield curve from the Bond Exchange of South Africa after the market closed at the reporting date.

	2012 R	2011 R	2012 R	2011 R
The amounts recognised in the Statement of Financial Position are as follows:				
Present value of fund obligations	8 567 483	7 101 526	8 567 483	7 101 526
Net liability/(asset)	**8 567 483**	**7 101 526**	**8 567 483**	**7 101 526**
Reconciliation of present value of fund obligation:				
Present value of fund obligation at the beginning of the year	7 101 526	5 466 397	7 101 526	5 466 397
Total expenses	923 387	802 111	923 387	802 111
Current service cost	904 375	649 870	904 375	649 870
Interest Cost	532 095	479 429	532 095	479 429
Benefits Paid	(513 083)	(327 188)	(513 083)	(327 188)
Actuarial (gains)/losses	542 570	833 018	542 570	833 018
Present value of fund obligation at the end of the year	8 567 483	7 101 526	8 567 483	7 101 526
Less: Transfer of Current Portion to Current Employee Benefits - Note 7	(787 869)	(661 151)	(787 869)	(661 151)
Balance at end of year	**7 779 614**	**6 440 375**	**7 779 614**	**6 440 375**

Economic Entity

The liability in respect of periods commencing prior to the comparative year has been estimated as follows:

	2010 R m	2009 R m	2008 R m
Members	5.466	3.963	3.683
Total Liability	**5.466**	**3.963**	**3.683**

Sensitivity Analysis on the Unfunded Accrued Liability

Assumption	Change	Liability (Rm)	% change
Central assumptions		8.567	
General salary inflation	1%	9.258	8%
General salary inflation	-1%	7.953	-7%
Average retirement age	- 2 Yrs	7.554	-12%
Average retirement age	+ 2 Yrs	9.630	12%
Withdrawal rates	-50%	10.429	22%

KNYSNA MUNICIPALITY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

		Economic Entity		Knysna Municipality	
		2012	2011	2012	2011
5	**NON-CURRENT PROVISIONS**	R	R	R	R
	Provision for Rehabilitation of Landfill-Sites	3 724 966	-	3 724 966	-
	Provision for Clearing of Alien Vegetation	13 369 006	13 281 673	13 369 006	13 281 673
	Total Non-current Provision Liabilities	**17 093 972**	**13 281 673**	**17 093 972**	**13 281 673**
	Landfill Sites				
	Balance at beginning of year	3 458 716	1 010 860	3 458 716	1 010 860
	Contribution for the year	266 250	2 642 481	266 250	2 642 481
	Expenditure for the year	-	(194 625)	-	(194 625)
	Total provision 30 June	**3 724 966**	**3 458 716**	**3 724 966**	**3 458 716**
	Less: Transfer of Current Portion to Current Provisions - Note 8	-	(3 458 716)	-	(3 458 716)
	Balance at end of year	**3 724 966**	**-**	**3 724 966**	**-**
	Clearing of Alien Vegetation				
	Balance at beginning of year	13 281 673	13 194 340	13 281 673	13 194 340
	Previously reported		5 702 190		5 702 190
	Correction of error - Note 40.07		7 492 150		7 492 150
	Contribution for the year	690 695	792 106	690 695	792 106
	Previously reported		989 883		989 883
	Correction of error - Note 40.07		(197 776)		(197 776)
	Expenditure for the year	(603 362)	(704 773)	(603 362)	(704 773)
	Balance at end of year	**13 369 006**	**13 281 673**	**13 369 006**	**13 281 673**

For the 2011 financial year it was expected that the rehabilitation costs of Landfill Sites would be incurred in the ensuing financial year, however the environmental impact processes for full closure of the sites have been delayed and it is expected that the expenditure will now be incurred in the 2013/2014 financial year, while there is no definite commitment on expenditure for the clearing of backlog alien vegetation.

6	**CONSUMER DEPOSITS**				
	Electricity	5 760 958	5 773 652	5 760 958	5 773 652
	Water	3 527 654	3 329 811	3 527 654	3 329 811
	Total Consumer Deposits	**9 288 612**	**9 103 463**	**9 288 612**	**9 103 463**
	Guarantees held in lieu of Electricity and Water Deposits	885 664	901 175	885 664	901 175

The fair value of consumer deposits approximate their carrying value. Interest is not paid on these amounts.

		Economic Entity		Knysna Municipality	
		2012	2011	2012	2011
7	**CURRENT EMPLOYEE BENEFITS**	R	R	R	R
	Current Portion of Post Retirement Benefits - Note 4	1 808 916	1 594 884	1 808 916	1 594 884
	Current Portion of Ex-Gratia Pension Provisions - Note 4	52 150	23 089	52 150	23 089
	Current Portion of Long-Service Provisions - Note 4	787 869	661 151	787 869	661 151
	Performance Bonuses	403 550	580 803	403 550	580 803
	Staff Leave	9 534 801	9 094 143	9 534 801	9 094 143
	Pension Fund Investment Return Shortfall	1 978 444	1 978 444	1 978 444	1 978 444
	Workman's Compensation Commisioner	746 190	2 863 681	746 190	2 863 681
	TASK / Backpay Implementation	-	234 671	-	234 671
	Total Current Employee Benefits	**15 311 920**	**17 030 866**	**15 311 920**	**17 030 866**
	The movement in current employee benefits are reconciled as follows:				
	Performance Bonuses				
	Balance at beginning of year	580 803	840 470	580 803	840 470
	Contribution to current portion	311 467	249 319	311 467	249 319
	Expenditure incurred	(488 720)	(508 986)	(488 720)	(508 986)
	Balance at end of year	**403 550**	**580 803**	**403 550**	**580 803**

Performance bonuses are paid to the Municipal Manager and Section 56 Directors after an evaluation of performance by the council. There is no possibility of reimbursement.

KNYSNA MUNICIPALITY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

		Economic Entity		Knysna Municipality	
		2012	2011	2012	2011
		R	R	R	R
7	**CURRENT EMPLOYEE BENEFITS (CONTINUED)**				
	Staff Leave				
	Balance at beginning of year	9 094 143	8 550 455	9 094 143	8 550 455
	Previously reported		5 907 136		5 907 136
	Correction of error - Note 40.06		2 643 319		2 643 319
	Contribution to current portion	1 337 463	1 262 523	1 337 463	1 262 523
	Previously reported		1 264 022		1 264 022
	Correction of error - Note 40.06		(1 499)		(1 499)
	Expenditure incurred	(896 805)	(718 835)	(896 805)	(718 835)
	Balance at end of year	**9 534 801**	**18 907 121**	**9 534 801**	**9 094 143**
	Staff leave accrues to employees according to a collective agreement. Provision is made for the full cost of accrued leave at reporting date. This provision will be realised as employees take leave or resign. There is no possibility of reimbursement.				
	Pension Fund Investment Return Shortfall				
	Balance at beginning of year	1 978 444	1 664 780	1 978 444	1 664 780
	Contribution to current portion	-	313 665	-	313 665
	Balance at end of year	**1 978 444**	**1 978 444**	**1 978 444**	**1 978 444**
	The Cape Joint Pension Fund's rules determine that the employer must contribute any shortfall if investment revenue does not realise 5%. The fund indicated that the municipality's share of the shortfall must be paid within 1 financial year. The assessment was determined in August 2011 and there is a				
	Workman's Compensation Commissioner				
	Balance at beginning of year	2 863 681	2 166 799	2 863 681	2 166 799
	Contribution to current portion	419 716	554 198	419 716	554 198
	Expenditure incurred	(2 537 207)	-	(2 537 207)	-
	Penalties incurred	-	142 683	-	142 683
	Balance at end of year	**746 190**	**2 863 681**	**746 190**	**2 863 681**
	The amount provided for is in respect of the contribution payable to the Commissioner which is based on the estimated expenditure on staff benefits and for which an assessment was not yet issued by the Commissioner.				
	Task / Backpay Implementation				
	Balance at beginning of year	234 671	728 968	234 671	728 968
	Contribution to current portion	197 437	449 633	197 437	449 633
	Expenditure incurred	(432 109)	(943 930)	(432 109)	(943 930)
	Balance at end of year	**-**	**234 671**	**-**	**234 671**
	An agreement was reached on the implementation of a national salary grading structure with backpay to be paid in the 2010/2011 financial year for 9 months of the 2009/2010 financial year. There is no possibility of reimbursement. Refer also to Note 55 for a contingent liability associated with the implementation of the wage curve.				
8	**PROVISIONS**				
	Current Portion of Rehabilitation of Landfill-sites - Note 5	-	3 458 716	-	3 458 716
	Total Provisions	**-**	**3 458 716**	**-**	**3 458 716**

		Economic Entity		Knysna Municipality	
		2012	2011	2012	2011
9	**PAYABLES FROM EXCHANGE TRANSACTIONS**	R	R	R	R
	Trade payables - Restated 2011 - Note 40.02	31 752 751	21 511 997	31 962 949	22 065 194
	Payments received in advance	4 825 724	4 675 262	4 825 724	4 675 262
	Retentions	4 227 191	5 653 095	4 227 191	5 653 095
	Hoarding fees	2 813 780	2 455 147	2 813 780	2 455 147
	Other payables	2 911 390	1 865 260	2 911 390	1 847 312
	Deposits: Other	460 135	394 563	460 135	394 563
	Total Trade Payables	**46 990 971**	**36 555 325**	**47 201 169**	**37 090 575**

Payables are being paid within 30 days as prescribed by the MFMA. This credit period granted is considered to be consistent with the terms used in the public sector, through established practices and legislation. Discounting of trade and other payables on initial recognition is not deemed necessary.

All payables are unsecured.

An arrear portion of R546 191 redemption for long term liabilities is included in Trade Payables and originated as a result of the debit order for the payment of the redemption being processed by the bank on 1 July 2012 due to 30 June 2012 falling on a weekend.

Other deposits include Hall and Tender Deposits.

KNYSNA MUNICIPALITY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

10 UNSPENT CONDITIONAL GOVERNMENT GRANTS AND RECEIPTS

Unspent Grants	2 137 005	7 652 709	2 137 005	5 633 600
National Government Grants	314 761	3 915 997	314 761	3 915 997
Provincial Government Grants	1 231 225	838 624	1 231 225	838 624
Other Sources	591 018	2 898 088	591 018	878 980
Less: Unpaid Grants	1 870 171	3 571 365	1 870 171	3 571 365
National Government Grants	1 025 708	3 042 152	1 025 708	3 042 152
Provincial Government Grants	844 463	430 526	844 463	430 526
Other Sources	-	98 688	-	98 688
Total Conditional Grants and Receipts	**266 834**	**4 081 343**	**266 834**	**2 062 235**

Unspent grants can mainly be attributed to projects that are work in progress on the relevant financial year-ends.

The unspent National Grant is from the Masibambane Grant that was disbursed by the Department of Water Affairs between 2007 and 2010. In terms of the Division of Revenue Act no unspent National Grants have to be repaid by the Municipality to the National Fiscus for the year ended 30 June 2012.

See also appendix "B" for a reconciliation of grants from other sources. The Unspent Grants are cash-backed by term deposits. The municipality complied with the conditions attached to all grants received to the extent of revenue recognised. No grants were withheld.

11 UNSPENT PUBLIC CONTRIBUTIONS

Unspent Grants	-	4 500	-	4 500
Roads-Eastford Downs Home Owners Association	-	4 500	-	4 500
Total Public Contributions	**-**	**4 500**	**-**	**4 500**

The Unspent Contributions are cash-backed. The municipality complied with the conditions attached to all contributions received to the extent of revenue recognised.

12 TAXES

VAT Payable (Restated 2011)	(7 873 135)	(7 077 517)	(7 873 135)	(6 772 542)
Less: Contribution to Provision for impairment of trade receivables from exchange transactions	5 388 699	3 194 970	5 388 699	3 194 970
Correction of error - Note 40.11	-	3 194 970		3 194 970
	(2 484 436)	(3 882 547)	(2 484 436)	(3 577 572)
VAT Receivable (Restated 2011)	4 037 862	7 376 132	4 037 862	7 376 132
Net Vat	**1 553 426**	**3 493 585**	**1 553 426**	**3 798 559**
Disclosed as:				
Taxes payable	-	304 974	-	-
Taxes receivable	1 553 426	3 798 559	1 553 426	3 798 559
	1 553 426	**3 493 585**	**1 553 426**	**3 798 559**

VAT is payable on the receipts basis. Only once payment is received from debtors is VAT paid over to SARS.

13 PROPERTY, PLANT AND EQUIPMENT

Economic Entity

30 JUNE 2012

Reconciliation of Carrying Value	Cost								Accumulated Depreciation					Carrying Value
	Opening Balance	Additions	Work-in-Progress	Disposals	Transfer	Loss on Fair Value Revaluations	Gain on Fair Value Revaluation	Closing Balance	Opening Balance	Additions	Disposals	Transfer to cost	Closing Balance	
	R	R	R	R	R			R	R	R	R	R	R	R
Land and Buildings	**252 934 372**	**3 495 206**	**215 399**	**-**	**(240 519)**	**(121 952 903)**	**34 003 443**	**168 454 997**	**-**	**240 519**	**-**	**(240 519)**	**-**	**168 454 997**
Buildings	22 931 372	3 083 206	163 437	-	(240 519)	(564 813)	8 512 343	33 885 025	-	240 519	-	(240 519)	-	33 885 025
Land	230 003 000	412 000	51 962	-	-	(121 388 090)	25 491 100	134 569 972	-	-	-	-	-	134 569 972
Infrastructure	**544 023 424**	**20 138 020**	**29 351 562**	**6 409**	**-**			**593 506 597**	**142 964 660**	**14 893 145**	**1 773**	**-**	**157 856 032**	**435 650 565**
Sewerage	70 056 590	296 693	12 723 562	-	-		-	83 076 845	17 584 048	2 367 145	-	-	19 951 193	63 125 652
Electricity	133 831 408	5 522 660	12 905 280	6 409	-		-	152 252 939	31 817 163	3 291 995	1 773	-	35 107 385	117 145 554
Water	206 349 321	3 429 312	1 862 625	-	-		-	211 641 258	37 622 350	4 528 897	-	-	42 151 246	169 490 012
Road	132 548 729	10 889 355	1 860 095	-	-		-	145 298 179	55 717 389	4 629 551	-	-	60 346 939	84 951 239
Security Measures	1 237 376	-	-	-	-		-	1 237 376	223 711	75 557	-	-	299 268	938 108
Community Assets	**24 703 075**	**264 963**	**84 239**	**-**	**(153 616)**	**(549 164)**	**13 891 115**	**38 240 611**	**1 370 249**	249 547	-	(153 616)	**1 466 180**	**36 774 431**
Lease Assets	**8 295 245**	**9 088**	**-**	**1 533 235**	**-**		**-**	**6 771 097**	**4 024 979**	**1 120 098**	**1 533 231**		**3 611 845**	**3 159 252**
Office Equipment	8 295 245	9 088	-	1 533 235	-		-	6 771 097	4 024 979	1 120 098	1 533 231	-	3 611 845	3 159 252
Heritage Assets	**1 714 596**	**-**	**-**	**-**	**-**	**(871 000)**	**-**	**843 596**	**3 096**	1 548	-	-	**4 645**	**838 951**
Other Assets	**61 240 979**	**6 681 869**	**27 500**	**1 471 928**	**(22)**			**66 478 398**	**18 689 952**	**3 688 042**	**970 987**	**-**	**21 407 007**	**45 071 390**
Bins & Containers	**949 248**	**110 000**	**-**	**-**	**-**			**1 059 248**	**237 329**	**109 237**	**-**	**-**	**346 566**	**712 682**
Bulk Containers	949 248	110 000	-	-	-		-	1 059 248	237 329	109 237	-	-	346 566	712 682
Other Assets	**13 301 363**	**1 227 726**	**27 500**	**390 925**	**-**		**-**	**14 165 664**	**5 306 453**	987 172	226 401	-	**6 067 224**	**8 098 440**
Tip Sites	941 490	-	-	-	-		-	941 490	94 144	7 955	-	-	102 099	839 391
In & Outdoor Sport Facilities	72 418	-	-	-	-		-	72 418	19 046	3 628	-	-	22 674	49 744
Other Plant & Equipment	11 349 364	1 184 299	27 500	375 811	-		-	12 185 352	4 884 827	880 733	212 751	-	5 552 809	6 632 543
Laboratory Equipment	283 301	-	-	-	-		-	283 301	30 115	18 800	-	-	48 915	234 386
Equipment Fire	150 894	24 227	-	-	-		-	175 121	38 092	16 826	-	-	54 918	120 203
Lawnmowers	163 967	-	-	-	-		-	163 967	63 262	18 059	-	-	81 321	82 646
Radio Equipment	339 929	19 200	-	15 114	-		-	344 015	176 967	41 171	13 650	-	204 488	139 527
Office Equipment	**13 330 048**	**2 068 552**	**-**	**817 787**	**-**		**-**	**14 580 813**	**5 071 355**	1 095 409	577 397	-	**5 589 367**	**8 991 446**
Air Conditioners	1 065 983	15 840	-	-	-		-	1 081 823	201 634	53 623	-	-	255 256	826 567
Computer Hardware	7 170 179	1 636 231	-	488 340	-		-	8 318 069	3 058 154	736 220	360 708	-	3 433 666	4 884 404
Office Machines	777 674	166 602	-	56 487	-		-	887 789	283 075	84 912	41 416	-	326 570	561 218
Cabinets & Cupboards	4 173 201	249 879	-	272 960	-		-	4 150 121	1 489 499	220 654	175 273	-	1 534 880	2 615 241
Other Furniture	143 010	-	-	-	-		-	143 010	38 994	-	-	-	38 994	104 016
Vehicles	**33 660 320**	**3 275 590**	**-**	**263 216**	**(22)**		**-**	**36 672 673**	**8 074 815**	1 496 224	167 189	-	**9 403 850**	**27 268 823**
Motor Vehicles	1 081 803	272 983	-	-	-		-	1 354 786	520 721	111 340	-	-	632 061	722 725
Trucks & LDVs	23 975 202	1 978 982	-	216 452	-		-	25 737 733	5 722 060	1 129 698	136 682	-	6 715 076	19 022 657
Motor Cycles	350 896	137 736	-	46 764	-		-	441 868	123 877	29 655	30 507	-	123 025	318 843
Motor Cars	3 293 702	563 902	-	-	-		-	3 857 604	679 337	108 791	-	-	788 128	3 069 477
Tractors	1 783 491	-	-	-	-		-	1 783 491	401 666	47 152	-	-	448 818	1 334 673
Trailers	1 658 011	25 987	-	-	-		-	1 683 998	423 276	41 464	-	-	464 739	1 219 259
Graders	1 517 214	296 000	-	-	(22)		-	1 813 192	203 879	28 125	-	-	232 003	1 581 189
	892 911 690	**30 589 145**	**29 678 699**	**3 011 572**	**(394 157)**	**(123 373 067)**	**47 894 557**	**874 295 296**	**167 052 936**	**20 192 900**	**2 505 992**	**(394 135)**	**184 345 709**	**689 949 587**

KNYSNA MUNICIPALITY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

13 PROPERTY, PLANT AND EQUIPMENT

Knysna Municipality

30 JUNE 2012

Reconciliation of Carrying Value	Cost								Accumulated Depreciation					Carrying Value
	Opening Balance	Additions	Work-in-Progress	Disposals	Transfer	Loss on Fair Value Revaluations	Gain on Fair Value Revaluation	Closing Balance	Opening Balance	Additions	Disposals	Transfer to cost	Closing Balance	
	R	R	R	R	R			R	R	R	R	R	R	R
Land and Buildings	**252 934 372**	**3 495 206**	**215 399**	**-**	**(240 519)**	**(121 952 903)**	**34 003 443**	**168 454 997**	**-**	**240 519**	**-**	**(240 519)**	**-**	**168 454 997**
Buildings	22 931 372	3 083 206	163 437	-	(240 519)	(564 813)	8 512 343	33 885 025	-	240 519	-	(240 519)	-	33 885 025
Land	230 003 000	412 000	51 962	-	-	(121 388 090)	25 491 100	134 569 972	-	-	-	-	-	134 569 972
Infrastructure	**544 023 424**	**20 138 020**	**29 351 562**	**6 409**	**-**	**-**	**-**	**593 506 597**	**142 964 660**	**14 893 145**	**1 773**	**-**	**157 856 032**	**435 650 565**
Sewerage	70 056 590	296 693	12 723 562	-	-		-	83 076 845	17 584 048	2 367 145	-	-	19 951 193	63 125 652
Electricity	133 831 408	5 522 660	12 905 280	6 409	-		-	152 252 939	31 817 163	3 291 995	1 773	-	35 107 385	117 145 554
Water	206 349 321	3 429 312	1 862 625	-	-		-	211 641 258	37 622 350	4 528 897	-	-	42 151 246	169 490 012
Road	132 548 729	10 889 355	1 860 095	-	-		-	145 298 179	55 717 389	4 629 551	-	-	60 346 939	84 951 239
Security Measures	1 237 376	-	-	-	-		-	1 237 376	223 711	75 557	-	-	299 268	938 108
Community Assets	**24 703 075**	**264 963**	**84 239**	**-**	**(153 616)**	**(549 164)**	**13 891 115**	**38 240 611**	**1 370 249**	249 547	-	(153 616)	**1 466 180**	**36 774 431**
Lease Assets	**8 295 245**	**9 088**	**-**	**1 533 235**	**-**	**-**	**-**	**6 771 097**	**4 024 979**	**1 120 098**	**1 533 231**		**3 611 845**	**3 159 252**
Office Equipment	8 295 245	9 088	-	1 533 235	-		-	6 771 097	4 024 979	1 120 098	1 533 231	-	3 611 845	3 159 252
Heritage Assets	**1 714 596**	**-**	**-**	**-**	**-**	**(871 000)**	**-**	**843 596**	**3 096**	1 548	-	-	**4 645**	**838 951**
Other Assets	**61 173 795**	**6 681 869**	**27 500**	**1 471 928**	**(22)**			**66 411 213**	**18 684 630**	**3 678 357**	**970 987**	**-**	**21 391 999**	**45 019 214**
Bins & Containers	**949 248**	**110 000**	**-**	**-**	**-**			**1 059 248**	**237 329**	**109 237**	**-**	**-**	**346 566**	**712 682**
Bulk Containers	949 248	110 000	-	-	-		-	1 059 248	237 329	109 237	-	-	346 566	712 682
Other Assets	**13 301 363**	**1 227 726**	**27 500**	**390 925**	**-**		**-**	**14 165 664**	**5 306 453**	987 172	226 401	-	**6 067 224**	**8 098 440**
Tip Sites	941 490	-	-	-	-		-	941 490	94 144	7 955	-	-	102 099	839 391
In & Outdoor Sport Facilities	72 418	-	-	-	-		-	72 418	19 046	3 628	-	-	22 674	49 744
Other Plant & Equipment	11 349 364	1 184 299	27 500	375 811	-		-	12 185 352	4 884 827	880 733	212 751	-	5 552 809	6 632 543
Laboratory Equipment	283 301	-	-	-	-		-	283 301	30 115	18 800	-	-	48 915	234 386
Equipment Fire	150 894	24 227	-	-	-		-	175 121	38 092	16 826	-	-	54 918	120 203
Lawnmowers	163 967	-	-	-	-		-	163 967	63 262	18 059	-	-	81 321	82 646
Radio Equipment	339 929	19 200	-	15 114	-		-	344 015	176 967	41 171	13 650	-	204 488	139 527
Office Equipment	**13 262 863**	**2 068 552**	**-**	**817 787**	**-**		**-**	**14 513 628**	**5 066 033**	1 085 724	577 397	-	**5 574 359**	**8 939 270**
Air Conditioners	1 065 983	15 840	-	-	-		-	1 081 823	201 634	53 623	-	-	255 256	826 567
Computer Hardware	7 157 783	1 636 231	-	488 340	-		-	8 305 674	3 057 566	732 102	360 708	-	3 428 960	4 876 714
Office Machines	777 674	166 602	-	56 487	-		-	887 789	283 075	84 912	41 416	-	326 570	561 218
Cabinets & Cupboards	4 118 413	249 879	-	272 960	-		-	4 095 332	1 484 764	215 087	175 273	-	1 524 578	2 570 754
Other Furniture	143 010	-	-	-	-		-	143 010	38 994	-	-	-	38 994	104 016
Vehicles	**33 660 320**	**3 275 590**	**-**	**263 216**	**(22)**		**-**	**36 672 673**	**8 074 815**	1 496 224	167 189	-	**9 403 850**	**27 268 823**
Motor Vehicles	1 081 803	272 983	-	-	-		-	1 354 786	520 721	111 340	-	-	632 061	722 725
Trucks & LDVs	23 975 202	1 978 982	-	216 452	-		-	25 737 733	5 722 060	1 129 698	136 682	-	6 715 076	19 022 657
Motor Cycles	350 896	137 736	-	46 764	-		-	441 868	123 877	29 655	30 507	-	123 025	318 843
Motor Cars	3 293 702	563 902	-	-	-		-	3 857 604	679 337	108 791	-	-	788 128	3 069 477
Tractors	1 783 491	-	-	-	-		-	1 783 491	401 666	47 152	-	-	448 818	1 334 673
Trailers	1 658 011	25 987	-	-	-		-	1 683 998	423 276	41 464	-	-	464 739	1 219 259
Graders	1 517 214	296 000	-	-	(22)		-	1 813 192	203 879	28 125	-	-	232 003	1 581 189
	892 844 506	**30 589 145**	**29 678 699**	**3 011 572**	**(394 157)**	**(123 373 067)**	**47 894 557**	**874 228 112**	**167 047 614**	**20 183 214**	**2 505 992**	**(394 135)**	**184 330 701**	**689 897 411**

KNYSNA MUNICIPALITY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

13 PROPERTY, PLANT AND EQUIPMENT

Economic Entity

30 JUNE 2011

Reconciliation of Carrying Value	Cost						Accumulated Depreciation					Carrying Value
(Restated - See Note 40.09)	Opening Balance	Additions	Work-in-Progress	Disposals	Transfers and Gain on Fair Value Revaluation	Closing Balance	Opening Balance	Additions	Disposals	Transfer to cost	Closing Balance	
	R	R	R	R	R	R	R	R	R	R	R	R
Land and Buildings	**225 899 000**	**823 000**	**298 415**	**-**	**25 913 957**	**252 934 372**	**-**	**206 622**	**-**	**(206 622)**	**-**	**252 934 372**
Buildings	20 057 000	-	298 415	-	2 575 957	22 931 372	-	206 622	-	(206 622)	-	22 931 372
Land	205 842 000	823 000	-	-	23 338 000	230 003 000	-	-	-	-	-	230 003 000
Infrastructure	**498 271 827**	**20 382 609**	**25 368 988**	**-**	**-**	**544 023 424**	**130 290 482**	**12 674 178**	**-**		**142 964 660**	**401 058 764**
Sewerage	61 890 553	461 208	7 704 828	-	-	70 056 590	15 913 549	1 670 499	-	-	17 584 048	52 472 542
Electricity	125 915 787	2 553 492	5 362 129	-	-	133 831 408	28 773 061	3 044 102	-	-	31 817 163	102 014 245
Water	180 050 089	15 541 407	10 757 826	-	-	206 349 321	34 192 008	3 430 342	-	-	37 622 350	168 726 972
Road	129 221 368	1 783 158	1 544 204	-	-	132 548 729	51 258 498	4 458 891	-	-	55 717 389	76 831 340
Security Measures	1 194 030	43 346	-	-	-	1 237 376	153 366	70 344	-	-	223 711	1 013 665
Community Assets	**21 983 713**	**-**	**-**	**-**	**2 719 362**	**24 703 075**	**1 287 292**	**217 713**	**-**	**(134 757)**	**1 370 249**	**23 332 826**
Lease Assets	**5 715 481**	**2 902 983**	**-**	**323 219**	**-**	**8 295 245**	**2 948 797**	**1 399 394**	**323 213**		**4 024 979**	**4 270 266**
Office Equipment	5 715 481	2 902 983	-	323 219	-	8 295 245	2 948 797	1 399 394	323 213		4 024 979	4 270 266
Heritage Assets	**1 558 596**	**-**	**-**	**-**	**156 000**	**1 714 596**	**1 548**	**1 548**	**-**		**3 096**	**1 711 500**
Other Assets	**65 589 008**	**4 902 347**	**-**	**9 250 377**	**-**	**61 240 979**	**23 235 212**	**4 166 667**	**8 711 927**	**-**	**18 689 952**	**42 551 027**
Bins & Containers	**949 248**	**-**	**-**	**-**	**-**	**949 248**	**174 047**	**63 283**	**-**	**-**	**237 329**	**711 919**
Bulk Containers	949 248	-	-	-		949 248	174 047	63 283	-		237 329	711 919
Other Assets	**16 888 749**	**855 339**	**-**	**4 442 725**	**-**	**13 301 363**	**8 344 277**	**1 368 995**	**4 406 819**	**-**	**5 306 453**	**7 994 910**
Tip Sites	941 490	-	-	-		941 490	86 191	7 953	-		94 144	847 346
In & Outdoor Sport Facilities	72 418	-	-			72 418	15 426	3 620	-		19 046	53 372
Other Plant & Equipment	14 680 527	660 296	-	3 991 458	-	11 349 364	7 614 447	1 226 506	3 956 127	-	4 884 827	6 464 538
Laboratory Equipment	90 673	192 670	-	42	-	283 301	23 981	6 175	40	-	30 115	253 186
Equipment Fire	150 894	-	-	-		150 894	23 244	14 848	-		38 092	112 802
Lawnmowers	266 304	-	-	102 337		163 967	133 185	32 404	102 327		63 262	100 705
Radio Equipment	686 444	2 373	-	348 888		339 929	447 803	77 489	348 325		176 967	162 962
Office Equipment	**15 510 120**	**1 638 629**	**-**	**3 818 702**	**-**	**13 330 048**	**7 578 570**	**1 303 588**	**3 810 804**	**-**	**5 071 355**	**8 258 693**
Air Conditioners	1 034 891	31 092	-	-		1 065 983	149 783	51 850	-		201 634	864 350
Computer Hardware	8 385 487	1 077 795	-	2 293 103		7 170 179	4 511 540	838 575	2 291 962		3 058 154	4 112 025
Office Machines	1 161 671	77 338	-	461 334		777 674	641 620	102 090	460 636		283 075	494 599
Cabinets & Cupboards	4 723 397	436 045	-	986 241		4 173 201	2 177 612	292 330	980 444		1 489 499	2 683 703
Other Furniture	204 674	16 360	-	78 023		143 010	98 014	18 742	77 763		38 994	104 016
Vehicles	**32 240 891**	**2 408 380**	**-**	**988 951**	**-**	**33 660 320**	**7 138 318**	**1 430 801**	**494 305**	**-**	**8 074 815**	**25 585 505**
Motor Vehicles	1 081 803	-	-			1 081 803	426 641	94 080	-		520 721	561 082
Trucks & LDVs	22 563 635	2 390 430	-	978 863		23 975 202	5 129 196	1 085 716	492 852		5 722 060	18 253 142
Motor Cycles	350 896	-	-	-		350 896	99 053	24 825	-		123 877	227 019
Motor Cars	3 293 702	-	-	-		3 293 702	569 358	109 978	-		679 337	2 614 366
Tractors	1 783 491	-	-	-		1 783 491	354 538	47 128	-		401 666	1 381 825
Trailers	1 650 149	17 950	-	10 088		1 658 011	383 719	41 009	1 452		423 276	1 234 736
Graders	1 517 214	-	-	-		1 517 214	175 814	28 064	-		203 879	1 313 336
	819 017 625	**29 010 940**	**25 667 403**	**9 573 596**	**28 789 319**	**892 911 690**	**157 763 332**	**18 666 123**	**9 035 140**	**(341 379)**	**167 052 936**	**725 858 754**

KNYSNA MUNICIPALITY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

13 PROPERTY, PLANT AND EQUIPMENT

Knysna Municipality

30 JUNE 2011

Reconciliation of Carrying Value	Cost						Accumulated Depreciation					Carrying Value
(Restated - See Note 40.09)	Opening Balance	Additions	Work-in-Progress	Disposals	Transfers and Gain on Fair Value Revaluation	Closing Balance	Opening Balance	Additions	Disposals	Transfer to cost	Closing Balance	
	R	R	R	R	R	R	R	R	R	R	R	R
Land and Buildings	**225 899 000**	**823 000**	**298 415**	**-**	**25 913 957**	**252 934 372**	**-**	**206 622**	**-**	**(206 622)**	**-**	**252 934 372**
Buildings	20 057 000	-	298 415	-	2 575 957	22 931 372	-	206 622	-	(206 622)	-	22 931 372
Land	205 842 000	823 000	-	-	23 338 000	230 003 000	-	-	-	-	-	230 003 000
Infrastructure	**498 271 827**	**20 382 609**	**25 368 988**	**-**	**-**	**544 023 424**	**130 290 482**	**12 674 178**	**-**		**142 964 660**	**401 058 764**
Sewerage	61 890 553	461 208	7 704 828	-	-	70 056 590	15 913 549	1 670 499	-	-	17 584 048	52 472 542
Electricity	125 915 787	2 553 492	5 362 129	-	-	133 831 408	28 773 061	3 044 102	-	-	31 817 163	102 014 245
Water	180 050 089	15 541 407	10 757 826	-	-	206 349 321	34 192 008	3 430 342	-	-	37 622 350	168 726 972
Road	129 221 368	1 783 158	1 544 204	-	-	132 548 729	51 258 498	4 458 891	-	-	55 717 389	76 831 340
Security Measures	1 194 030	43 346	-	-	-	1 237 376	153 366	70 344	-	-	223 711	1 013 665
Community Assets	**21 983 713**	**-**	**-**	**-**	**2 719 362**	**24 703 075**	**1 287 292**	**217 713**	**-**	**(134 757)**	**1 370 249**	**23 332 826**
Lease Assets	**5 715 481**	**2 902 983**	**-**	**323 219**	**-**	**8 295 245**	**2 948 797**	**1 399 394**	**323 213**		**4 024 979**	**4 270 266**
Office Equipment	5 715 481	2 902 983	-	323 219	-	8 295 245	2 948 797	1 399 394	323 213		4 024 979	4 270 266
Heritage Assets	**1 558 596**	**-**	**-**	**-**	**156 000**	**1 714 596**	**1 548**	**1 548**	**-**		**3 096**	**1 711 500**
Other Assets	**65 550 468**	**4 873 704**	**-**	**9 250 377**	**-**	**61 173 795**	**23 234 612**	**4 161 944**	**8 711 927**	**-**	**18 684 630**	**42 489 165**
Bins & Containers	**949 248**	**-**	**-**	**-**	**-**	**949 248**	**174 047**	**63 283**	**-**	**-**	**237 329**	**711 919**
Bulk Containers	949 248	-	-	-		949 248	174 047	63 283	-		237 329	711 919
Other Assets	**16 888 749**	**855 339**	**-**	**4 442 725**	**-**	**13 301 363**	**8 344 277**	**1 368 995**	**4 406 819**	**-**	**5 306 453**	**7 994 910**
Tip Sites	941 490	-	-	-		941 490	86 191	7 953	-		94 144	847 346
In & Outdoor Sport Facilities	72 418	-	-			72 418	15 426	3 620	-		19 046	53 372
Other Plant & Equipment	14 680 527	660 296	-	3 991 458	-	11 349 364	7 614 447	1 226 506	3 956 127	-	4 884 827	6 464 538
Laboratory Equipment	90 673	192 670	-	42	-	283 301	23 981	6 175	40	-	30 115	253 186
Equipment Fire	150 894	-	-	-		150 894	23 244	14 848	-		38 092	112 802
Lawnmowers	266 304	-	-	102 337		163 967	133 185	32 404	102 327		63 262	100 705
Radio Equipment	686 444	2 373	-	348 888		339 929	447 803	77 489	348 325		176 967	162 962
Office Equipment	**15 471 579**	**1 609 986**	**-**	**3 818 702**	**-**	**13 262 863**	**7 577 971**	**1 298 866**	**3 810 804**	**-**	**5 066 033**	**8 196 831**
Air Conditioners	1 034 891	31 092	-	-		1 065 983	149 783	51 850	-		201 634	864 350
Computer Hardware	8 385 487	1 065 399	-	2 293 103		7 157 783	4 511 540	837 988	2 291 962		3 057 566	4 100 217
Office Machines	1 161 671	77 338	-	461 334		777 674	641 620	102 090	460 636		283 075	494 599
Cabinets & Cupboards	4 684 856	419 797	-	986 241		4 118 413	2 177 012	288 195	980 444		1 484 764	2 633 649
Other Furniture	204 674	16 360	-	78 023		143 010	98 014	18 742	77 763		38 994	104 016
Vehicles	**32 240 891**	**2 408 380**	**-**	**988 951**	**-**	**33 660 320**	**7 138 318**	**1 430 801**	**494 305**	**-**	**8 074 815**	**25 585 505**
Motor Vehicles	1 081 803	-	-			1 081 803	426 641	94 080	-		520 721	561 082
Trucks & LDVs	22 563 635	2 390 430	-	978 863		23 975 202	5 129 196	1 085 716	492 852		5 722 060	18 253 142
Motor Cycles	350 896	-	-	-		350 896	99 053	24 825	-		123 877	227 019
Motor Cars	3 293 702	-	-	-		3 293 702	569 358	109 978	-		679 337	2 614 366
Tractors	1 783 491	-	-	-		1 783 491	354 538	47 128	-		401 666	1 381 825
Trailers	1 650 149	17 950	-	10 088		1 658 011	383 719	41 009	1 452		423 276	1 234 736
Graders	1 517 214	-	-	-		1 517 214	175 814	28 064	-		203 879	1 313 336
	818 979 084	**28 982 297**	**25 667 403**	**9 573 596**	**28 789 319**	**892 844 506**	**157 762 732**	**18 661 401**	**9 035 140**	**(341 379)**	**167 047 614**	**725 796 892**

KNYSNA MUNICIPALITY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

		Economic Entity		Knysna Municipality	
		2012 R	2011 R	2012 R	2011 R
13	**PROPERTY, PLANT AND EQUIPMENT (CONTINUED)**				
	Fully Depreciated assets still in use were as follows:	-	-	-	-
	The municipality reviewed the original useful lives of all Property, Plant and Equipment as part of the implementation of Directive 4 in 2011, and restated the results of the reviews retrospectively as correction of errors, since the original useful lives allocated were not correct. A further review was performed in 2011/2012.				
	Carrying value of assets retired from active use and held for disposal:	-	-	-	-
	Carrying value of Property, Plant and Equipment in the course of construction:	**48 557 807**	**41 594 969**	**48 557 807**	**41 594 969**
	Carrying value of temporarily idle property plant and equipment:	-	-	-	-
	Assets pledged as security:	-	-	-	-
	Third party payments received for losses incurred:				
	Payments received (Excluding VAT)	**1 140 545**	**616 811**	**1 140 545**	**616 811**
	Details of property plant and equipment carried at fair value				
	The valuations were performed by DDP Valuers and the valuer was Ms E Roos,a Professional Valuer with registration number 5000/5. The valuation date was 30 June 2012.				
	Properties were valued on the comparative sales method of valuation, based on the active market values in the area.				
	The method used for determining the open market value of the improvements is the accrued depreciation method of valuation. Accrued depreciation is a loss in value from the replacement cost of improvements due to physical deterioration, functional obsolescence and external obsolescence. After identifying and measuring the separate elements of the accrued deprecation, the value of the applicable type of depreciation are deducted from the replacement cost of the improvements.				
	Reconciliation of revaluation surplus:				
	Opening balance	-	-	-	-
	Movement for the period	47 894 557	-	47 894 557	-
	Closing balance	**47 894 557**	**-**	**47 894 557**	**-**
14	**NON-CURRENT ASSETS HELD FOR SALE**				
	Non-current assets held for sale at beginning of year - at book value	-	19 215	-	19 215
	Disposed for the year	-	(19 215)	-	(19 215)
		-	-	-	-
	Non-current assets held for sale at end of year - at book value	**-**	**-**	**-**	**-**
15	**INVESTMENT PROPERTY**				
	Net Carrying amount at 1 July	**198 067 000**	**178 044 000**	**198 067 000**	**178 044 000**
	Balance previously reported - at Fair Value	198 067 000	142 103 000	198 067 000	142 103 000
	Correction of error - Note 40.11	-	35 941 000		35 941 000
	Acquisitions	50 000	-	50 000	-
	Fair value adjustments	27 353 000	20 023 000	27 353 000	20 023 000
	Balance previously reported - Fair value adjustments		18 338 000		18 338 000
	Correction of error - Note 40.11		1 685 000		1 685 000
	Impairment	(90 472 000)	-	(90 472 000)	-
	Net Carrying amount at 30 June	**134 998 000**	**198 067 000**	**134 998 000**	**198 067 000**
	Fair Value	134 998 000	198 067 000	134 998 000	198 067 000
	Revenue derived from the rental of investment property	1 694 729	2 338 093	1 694 729	2 338 093
	The ownership of Erf 216, Brenton with a fair value of R10 600 000 is the subject of a legal dispute and according to a legal opinion obtained by the municipality ownership of this property vests with the municipality. There are no other restrictions on the realisability of Investment Property or the remittance of revenue and proceeds of disposal.				
	There are no contractual obligations to purchase, construct or develop investment property or for repairs, maintenance or enhancements. Repairs and maintenance on Investment Properties amounted to R 200 047 for the year.				
	The fair value of Investment Properties was determined by a qualified valuer based on current market prices. (Refer to note 13 for methods and assumptions used). The current negative economic climate and resultant decline in property prices is the main reason for the impairments.				

KNYSNA MUNICIPALITY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

		Economic Entity		Knysna Municipality	
		2012	2011	2012	2011
16	**INTANGIBLE ASSETS**	R	R	R	R
	Computer Software				
	Net Carrying amount at 1 July	**817 947**	**973 681**	**817 947**	**973 681**
	Cost - Previously reported	1 896 573	2 315 638	1 896 573	2 315 638
	Correction of error - Note 40.10	-	(393 162)	-	(393 162)
	Accumulated Amortisation - Previously reported	(1 078 626)	(2 138 123)	(1 078 626)	(2 138 123)
	Correction of error - Note 40.10	-	1 189 328	-	1 189 328
	Disposals - Restated 2011 - Note 40.10		(3)		(3)
	Cost		(25 903)		(25 903)
	Accumulated Amortisation		25 900		25 900
	Rounding adjustments	(5)	(3)	(5)	(3)
	Amortisation	(148 797)	(155 728)	(148 797)	(155 728)
	Previously reported		(89 380)		(89 380)
	Correction of error - Note 40.10		(66 348)		(66 348)
	Net Carrying amount at 30 June	**669 145**	**817 947**	**669 145**	**817 947**
	Cost	1 896 573	1 896 573	1 896 573	1 896 573
	Accumulated Amortisation	(1 227 428)	(1 078 626)	(1 227 428)	(1 078 626)

Description	Remaining Amortisation Period				
Computer software	6 Years	**669 145**	**817 947**	**669 145**	**817 947**

No intangible assets were assessed having an indefinite useful life.

There are no intangible assets whose title is restricted.

There are no intangible assets pledged as security for liabilities

There are no contractual commitments for the acquisition of intangible assets.

17	**NON-CURRENT INVESTMENTS**				
	Unlisted	**16 880 785**	**14 983 550**	**19 152 531**	**16 715 984**
	Investment in Entity - Knysna Economic Development Agency	-	-	2 271 746	1 732 435
	Other Fixed Deposits - at amortised cost	16 880 785	14 983 550	16 880 785	14 983 550
	Less: Provision for impairment - Knysna Economic Development Agency	-	-	(1 767 878)	(1 257 818)
	Total Non-Current Investments	**16 880 785**	**14 983 550**	**17 384 653**	**15 458 167**
	Reconciliation of Provision for Bad Debts				
	Balance at beginning of year	-	-	1 257 818	218 041
	Contribution/(Reduction) to provision	-	-	510 060	1 514 393
	Correction of error - Note 40.12	-	-	-	(474 616)
	Balance at end of year	**-**	**-**	**1 767 878**	**1 257 818**
	The average interest rate was 5,79% (2011: 6,26%).				
	Investments made to serve as collateral security for staff housing loans:	**17 443**	**17 443**	**17 443**	**17 443**

Fixed Deposits of R 16,863,342 (2011: R 14,966,107) have been pledged to DBSA as guarantees on external loans taken up.

Investments are made in terms of the municipality's Cash Management and Investment Policy, as required by means of Regulation R 308 of 1 April 2005 gazetted in the Government Gazette No 27431 of 1 April 2005 and issued by the Minister of Finance.

The investment in the entity has been impaired to a value equal to the Net Assets of the Entity, due to Council taking a decision that the Entity will be discontinued. The Municipality is the only shareholder.

18	**LONG TERM RECEIVABLES**				
	Land Sales - Morcana Investments	194 920	194 920	194 920	194 920
	Staff Housing loans - At amortised cost	11 995	16 025	11 995	16 025
	Old Age Homes / Creche - At amortised cost	805 646	863 778	805 646	863 778
	Sundry deposits - At amortised cost	7 416	6 800	7 416	6 800
	Eastford Downs Public Contributions	175 439	-	175 439	-
	Eastford Ridge Public Contributions	162 281	-	162 281	-
		1 357 696	**1 081 523**	**1 357 696**	**1 081 523**
	Less: Unamortised Discount on Loans	**-**	**(5 230)**	**-**	**(5 230)**
	Balance at beginning of year	(5 230)	(8 312)	(5 230)	(8 312)
	Adjustment for the period	5 230	3 082	5 230	3 082
	Less: Current portion transferred to current receivables	**(201 842)**	**(62 931)**	**(201 842)**	**(62 931)**
	Staff Loans - At amortised cost	(2 776)	(4 799)	(2 776)	(4 799)
	Old Age Homes - At amortised cost	(58 715)	(58 132)	(58 715)	(58 132)
	Eastford Home Owners Associations - At amortised cost	(140 351)	-	(140 351)	-
		1 155 854	1 013 362	1 155 854	1 013 362
	Less: Provision for Impairment of Long Term Receivables	**(522 593)**	**(546 086)**	**(522 593)**	**(546 086)**
	Total Long Term Receivables	**633 261**	**467 276**	**633 261**	**467 276**

KNYSNA MUNICIPALITY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

		Economic Entity		Knysna Municipality	
		2012	2011	2012	2011
18	**LONG TERM RECEIVABLES (CONTNUED)**	R	R	R	R

The provision for doubtful debts on other debtors (loans and receivables) exists due to the possibility that not all these debts will be recovered. Loans and receivables were assessed individually and grouped together at the Statement of Financial Position date as financial assets with similar credit risk characteristics and collectively assessed for impairment.

The total amount of the provision for doubtful debts created is R 522 593 (2011: R 546 086) and the following loans and receivables are included therein:

Old Age Homes / Creche - At amortised cost	522 593	546 086	522 593	546 086
Total Provision for Bad Debts on Other	**522 593**	**546 086**	**522 593**	**546 086**
Reconciliation of Provision for Bad Debts				
Balance at beginning of year	546 086	1 202 511	546 086	1 202 511
Contribution/(Reduction) to provision	(23 492)	(23 259)	(23 492)	(23 259)
Bad Debts written off	-	(633 166)	-	(633 166)
Balance at end of year	**522 593**	**546 086**	**522 593**	**546 086**

STAFF HOUSING LOANS

Staff housing loans are no longer granted. The outstanding amount relates to prior years and is still collectable. Interest is being charged at 4% per annum and the carrying value equals the discounted amount using the effective interest rate.

OLD AGE HOMES

New loans are not granted to organisations. The loans are repayable over periods up to forty years at a rate of 1% per annum, with the last loan redeemable in 2032.

HOME OWNERS ASSOCIATIONS - EASTFORD

The Home Owners Associations in Eastford agreed with the municipality to contribute an amount towards the cost of building a new road to their developments. The asset vests in the municipality. The agreement provides for a total cost to be contributed by the Associations over a period of maximum 3 years. The amounts stated above represents the balance of the contributions. No discounting is performed as it is regarded as a non-exchange public contribution.

Bad Debts written off : Vermont Old Age Home

At it's meeting of 30 September 2010 Council resolved to write off all arears relating to the loan for Vermont Old Age Home. The R 633 166 relates to the capital balance of the loan owed to the Housing Development Fund which was written off. The loan was provided by Provincial Government and transferred to Council in the mid 1990's as part of the creation of the Housing Development Fund.

19 INVENTORY

Consumable Stores - Stationery and materials - At cost	2 331 167	745 640	2 331 167	745 640
Maintenance Materials - At cost	5 094 458	3 077 664	5 094 458	3 077 664
Balance previously reported		1 006 878		1 006 878
Correction of error - Notes 40.05, 40.13 and 40.14		2 070 786		2 070 786
Water - At purification cost	535 484	469 113	535 484	469 113
Spare parts - At cost	3 451	1 616	3 451	1 616
Total Inventory	**7 964 559**	**4 294 032**	**7 964 559**	**4 294 032**
Consumable stores materials written down due to losses as identified during the annual stores counts.	**19 359**	**69 742**	**19 359**	**69 742**
Consumable stores materials surpluses identified during the annual stores counts.	**116 508**	**56 614**	**116 508**	**56 614**
Inventory recognised as an expense during the year	**21 572 127**	**15 629 506**	**21 572 127**	**15 629 506**
Dormant and slow moving inventory at year-end	**116 547**	**236 393**	**116 547**	**118 196**

No inventory assets were pledged as security for liabilities.

20 RECEIVABLES FROM EXCHANGE TRANSACTIONS

Economic Entity

	GROSS BALANCES R	PROVISION FOR IMPAIRMENTS R	NETT BALANCES R
As at 30 June 2012			
Electricity	25 340 005	4 540 633	20 799 371
Water	27 258 504	18 602 766	8 655 738
Rentals	2 578 673	2 282 115	296 558
Refuse	11 958 218	12 125 287	(167 069)
Sewerage	10 654 288	8 610 682	2 043 607
Other Arrears	5 129 730	58 315	5 071 415
Total : Trade receivables from exchange transactions	**82 919 418**	**46 219 799**	**36 699 619**

KNYSNA MUNICIPALITY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

20 RECEIVABLES FROM EXCHANGE TRANSACTIONS (CONTINUED)

	GROSS BALANCES R	PROVISION FOR IMPAIRMENTS R	NETT BALANCES R
As at 30 June 2011			
Electricity	21 933 157	1 980 302	19 952 854
Water	22 894 742	12 033 697	10 861 044
Rentals	1 954 050	1 602 970	351 079
Refuse	10 066 788	5 057 588	5 009 201
Sewerage	9 196 343	4 640 752	4 555 591
Other Arrears	4 688 553	2 356 027	2 332 526
Total : Trade receivables from exchange transactions	**70 733 632**	**27 671 336**	**43 062 296**

Knysna Municipality

	GROSS BALANCES R	PROVISION FOR IMPAIRMENTS R	NETT BALANCES R
As at 30 June 2012			
Electricity	25 340 005	4 598 948	20 741 056
Water	27 258 504	18 602 766	8 655 738
Rentals	2 578 673	2 282 115	296 558
Refuse	11 958 218	8 999 872	2 958 346
Sewerage	10 654 288	8 610 682	2 043 607
Other Arrears	5 129 730	3 125 415	2 004 315
Total : Trade receivables from exchange transactions	**82 919 418**	**46 219 799**	**36 699 619**

	GROSS BALANCES R	PROVISION FOR IMPAIRMENTS R	NETT BALANCES R
As at 30 June 2011			
Electricity	21 933 157	1 980 302	19 952 854
Water	22 894 742	12 033 697	10 861 044
Rentals	1 954 050	1 602 970	351 079
Refuse	10 066 788	5 057 588	5 009 201
Sewerage	9 196 343	4 640 752	4 555 591
Other Arrears	4 688 553	2 356 027	2 332 526
Total : Trade receivables from exchange transactions	**70 733 632**	**27 671 336**	**43 062 296**

The fair value of other receivables approximate their carrying value.

Ageing of Receivables from Exchange Transactions	Economic Entity 2012 R	Economic Entity 2011 R	Knysna Municipality 2012 R	Knysna Municipality 2011 R
Electricity: Ageing				
Current (0 - 30 days)	15 784 649	17 314 127	15 784 649	17 314 127
31 - 60 Days	3 218 067	1 038 744	3 218 067	1 038 744
61 - 90 Days	1 092 441	708 317	1 092 441	708 317
+ 90 Days	5 244 848	2 871 968	5 244 848	2 871 968
Total	**25 340 005**	**21 933 157**	**25 340 005**	**21 933 157**
Water: Ageing				
Current (0 - 30 days)	3 675 658	5 011 782	3 675 658	5 011 782
31 - 60 Days	1 504 993	1 336 163	1 504 993	1 336 163
61 - 90 Days	948 673	4 017 171	948 673	4 017 171
+ 90 Days	21 129 180	12 529 626	21 129 180	12 529 626
Total	**27 258 504**	**22 894 742**	**27 258 504**	**22 894 742**
Refuse: Ageing				
Current (0 - 30 days)	981 702	1 257 690	981 702	1 257 690
31 - 60 Days	421 154	629 599	421 154	629 599
61 - 90 Days	307 699	1 964 061	307 699	1 964 061
+ 90 Days	10 247 665	6 215 438	10 247 665	6 215 438
Total	**11 958 218**	**10 066 788**	**11 958 218**	**10 066 788**
Sewerage: Ageing				
Current (0 - 30 days)	621 787	883 821	621 787	883 821
31 - 60 Days	343 905	436 296	343 905	436 296
61 - 90 Days	264 827	1 637 441	264 827	1 637 441
+ 90 Days	9 423 770	6 238 784	9 423 770	6 238 784
Total	**10 654 288**	**9 196 343**	**10 654 288**	**9 196 343**
Rentals: Ageing				
Current (0 - 30 days)	222 730	344 519	222 730	344 519
31 - 60 Days	126 101	110 801	126 101	110 801
61 - 90 Days	116 931	90 768	116 931	90 768
+ 90 Days	2 112 911	1 407 962	2 112 911	1 407 962
Total	**2 578 673**	**1 954 050**	**2 578 673**	**1 954 050**

KNYSNA MUNICIPALITY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

20 RECEIVABLES FROM EXCHANGE TRANSACTIONS (CONTINUED)

	Economic Entity		Knysna Municipality	
	2012 R	2011 R	2012 R	2011 R
Other: Ageing				
Current (0 - 30 days)	818 439	857 334	818 439	857 334
31 - 60 Days	129 903	760 788	129 903	760 788
61 - 90 Days	85 322	281 630	85 322	281 630
+ 90 Days	4 096 065	2 788 800	4 096 065	2 788 800
Total	**5 129 730**	**4 688 553**	**5 129 730**	**4 688 553**
Total: Ageing				
Current (0 - 30 days)	22 104 964	25 669 273	22 104 964	25 669 273
31 - 60 Days	5 744 123	4 312 391	5 744 123	4 312 391
61 - 90 Days	2 815 892	8 699 389	2 815 892	8 699 389
+ 90 Days	52 254 439	32 052 578	52 254 439	32 052 578
Total	**82 919 418**	**70 733 632**	**82 919 418**	**70 733 632**
Reconciliation of the Total doubtful debt provision				
Balance at beginning of the year	27 671 336	21 527 766	27 671 336	21 527 766
Contributions to provision	21 846 226	12 632 170	21 846 226	12 632 170
Doubtful debts written off against provision	(3 297 763)	(6 488 600)	(3 297 763)	(6 488 600)
Balance at end of year	**46 219 799**	**27 671 336**	**46 219 799**	**27 671 336**

Summary of Receivables by Customer Classification	Residential, Industrial & Commercial R	Other Debtors R	National and Provincial Government R	Total R
2012				
Total Receivables	80 398 786	905 008	1 615 623	82 919 418
Less: Provision for doubtful debts	(45 817 042)	(398 437)	(4 320)	(46 219 799)
Total Recoverable debtors by customer classification	**34 581 744**	**506 572**	**1 611 304**	**36 699 619**
2011				
Total Receivables	62 207 377	7 411 123	1 115 132	70 733 632
Less: Provision for doubtful debts	(27 619 157)	(52 179)	-	(27 671 336)
Total Recoverable debtors by customer classification	**34 588 219**	**7 358 944**	**1 115 132**	**43 062 296**

	Total R's	Exchange Transactions R's	Non-Exchange Transactions R's	Exchange Transactions R's	Non-Exchange Transactions R's
The ageing of amounts past due but not impaired is as follows:					
2012					
1 month past due	6 489 092	4 655 045	1 834 047	4 655 045	1 834 047
2 + months past due	22 818 975	9 066 569	13 752 406	9 066 569	13 752 406
Total	**29 308 067**	**13 721 614**	**15 586 453**	**13 721 614**	**15 586 453**
2011					
1 month past due	7 100 236	5 388 485	1 711 751	5 388 485	1 711 751
2 + months past due	26 701 749	14 873 045	11 828 704	14 873 045	11 828 704
Total	**33 801 985**	**20 261 530**	**13 540 455**	**20 261 530**	**13 540 455**

21 RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS

	Economic Entity		Knysna Municipality	
	2012 R	2011 R	2012 R	2011 R
Other Receivables				
Rates - Restated 2011 - Note 40.04	31 571 209	27 759 139	31 571 209	27 759 139
Miscellaneous	8 093 765	1 023 841	8 093 765	1 023 841
Total Other Receivables	**39 664 974**	**28 782 980**	**39 664 974**	**28 782 980**
Less: Allowance for Doubtful Debts	(13 599 409)	(8 912 908)	(13 599 409)	(8 912 908)
Net Other Receivables	**26 065 566**	**19 870 072**	**26 065 566**	**19 870 072**
Total Net Receivables from Non-Exchange Transactions	**26 065 566**	**19 870 072**	**26 065 566**	**19 870 072**
Ageing of Receivables from Non-Exchange Transactions				
Rates: Ageing				
Current (0 - 30 days)	6 149 620	7 756 399	6 149 620	7 756 399
31 - 60 Days	2 039 305	1 832 166	2 039 305	1 832 166
61 - 90 Days	1 256 573	4 378 776	1 256 573	4 378 776
+ 90 Days	22 125 711	13 791 798	22 125 711	13 791 798
Total	**31 571 209**	**27 759 139**	**31 571 209**	**27 759 139**

KNYSNA MUNICIPALITY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

		Economic Entity		Knysna Municipality	
		2012	2011	2012	2011
21	**RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS (CONTINUED)**	R	R	R	R
	Miscellaneous : Ageing				
	Current (0 - 30 days)	3 995 572	213 918	3 995 572	213 918
	31 - 60 Days	-	-	-	-
	61 - 90 Days	-	-	-	-
	+ 90 Days	4 098 193	809 924	4 098 193	809 924
	Total	**8 093 765**	**1 023 841**	**8 093 765**	**1 023 841**
	Reconciliation of the Total doubtful debt provision				
	Balance at beginning of the year	8 912 909	5 985 675	8 912 909	5 985 675
	Contributions to provision	4 904 052	3 135 457	4 904 052	3 135 457
	Doubtful debts written off against provision	(217 552)	(208 223)	(217 552)	(208 223)
	Balance at end of year	**13 599 410**	**8 912 909**	**13 599 410**	**8 912 909**

In determining the recoverability of a receivable, the Municipality considers any change in the credit quality of the receivable from the date the credit was initially granted, up to the reporting date. The concentration of credit risk is limited due to the customer base being large and unrelated. Accordingly, management believes no further credit provisions are required in excess of the present allowance for doubtful debts

All Non-Government debtors were either specifically impaired or subject to collective impairment.

Trade and other receivables impaired

2012	Exchange Transactions R	Non-Exchange Transactions R	Total R
Total	**46 219 799**	**13 599 409**	**59 819 208**

2011	Exchange Transactions R	Non-Exchange Transactions R	Total R
Total	**27 671 336**	**8 912 908**	**36 584 244**

Debts are required to be settled after 30 days, interest is charged after this date at prime +1%.

The fair value of trade and other receivables approximates their carrying amounts. Discounting of receivables are not performed at initial recognition in terms of GRAP 104.

		Economic Entity		Knysna Municipality	
		2012	2011	2012	2011
22	**OPERATING LEASE ARRANGEMENTS**	R	R	R	R
22.1	**The Municipality as Lessee**				
	Balance at beginning of year	1 188 177	1 024 239	1 188 177	1 022 725
	Movement during the year	(60 940)	182 159	(60 940)	165 452
	Balance at end of year	**1 127 236**	**1 206 398**	**1 127 236**	**1 188 177**
	At the Statement of Financial Position date, where the municipality acts as a lessee under operating leases, it will pay operating lease expenditure as follows:				
	Up to 1 Year	2 532 311	3 657 436	2 532 311	3 435 070
	1 to 5 Years	5 870 972	8 453 904	5 870 972	8 231 537
	More than 5 Years	-	171 745	-	171 745
	Total Operating Lease Arrangements	**8 403 282**	**12 283 085**	**8 403 282**	**11 838 352**

The municipality did not pay any contingent rent during the year

The municipality does not engage in any sub-lease arrangements.

22.2	**The Municipality as Lessor**				
	Balance at beginning of year	2 397 856	2 167 750	2 397 856	2 167 750
	Operating Lease Asset for the current year	34 135	230 106	34 135	230 106
	Balance at end of year	**2 431 991**	**2 397 856**	**2 431 991**	**2 397 856**
	At the Statement of Financial Position date, where the municipality acts as a lessor under operating leases, it will receive operating lease income as follows:				
	Up to 1 Year	1 040 374	940 269	1 040 374	940 269
	1 to 5 Years	4 192 401	4 457 054	4 192 401	4 457 054
	More than 5 Years	10 068 944	11 228 295	10 068 944	11 228 295
	Total Operating Lease Arrangements	**15 301 719**	**16 625 619**	**15 301 719**	**16 625 619**

This lease income was determined from contracts that have a specific conditional income and does not include lease income which has a undetermined conditional income.

The leases are in respect of land and buildings being leased out for periods ranging until 2088.

The municipality does not engage in any sub-lease arrangements.

The municipality did not receive any contingent rent during the year

KNYSNA MUNICIPALITY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

		Economic Entity		Knysna Municipality	
		2012	2011	2012	2011
23	**CASH AND CASH EQUIVALENTS**	R	R	R	R
	Assets				
	Call Investments Deposits	30 341 591	31 077 680	30 341 591	31 077 680
	Primary Bank Account	24 088 389	27 553 140	24 088 389	25 334 590
	Secondary Bank Accounts	1 060 553	884 040	1 060 553	884 040
	Cash Floats	12 270	13 531	12 270	12 270
	Total Cash and Cash Equivalents - Assets	**55 502 803**	**59 528 390**	**55 502 803**	**57 308 580**
	Liabilities				
	Primary Bank Account	-	-	-	-
	Total Cash and Cash Equivalents - Liabilities	**-**	**-**	**-**	**-**

Cash and cash equivalents comprise cash held and short term deposits. The carrying amount of these assets approximates their fair value. Outstanding cheques are included in Cash and Cash Equivalents.

Call Investment Deposits to an amount of R 2 137 005 are held to fund the Unspent Conditional Grants (2011: R5 633 600).

Call Deposits of R 7 804 936 (2011: R 7 376 373) have been pledged to DBSA as guarantees on external loans taken up.

The municipality has the following bank accounts:

Current Accounts

ABSA Bank Limited - Account Number 1000014938 (Secondary Bank Account):	-	-	-	-
Nedbank - Account Number 1626561826 (Primary Bank Account):	24 088 389	25 334 590	24 088 389	25 334 590
Nedbank - Account Number 1626561834 (Secondary Account):	1 060 418	883 804	1 060 418	883 804
Nedbank - Account Number 1626561834 (Tertiary Account - SARS VAT Receipts):	135	236	135	236
Knysna ABSA - Account Number 407 660 8096 (Municipal Entity Primary Bank Account):	1 927 344	2 218 550	-	-
	27 076 286	**28 437 180**	**25 148 942**	**26 218 630**
Nedbank - Account Number 1626561826 (Primary Bank Account):				
Cash book balance at beginning of year	25 334 590	(10 185 666)	25 334 590	(10 185 666)
Cash book balance at end of year	**24 088 389**	**25 334 590**	**24 088 389**	**25 334 590**
Bank statement balance at beginning of year	33 543 663	24 499 288	33 543 663	24 499 288
Bank statement balance at end of year	29 516 697	33 543 663	29 516 697	33 543 663
Nedbank - Account Number 1626561834 (Secondary Account):				
Cash book balance at beginning of year	883 804	127 360	883 804	127 360
Cash book balance at end of year	**1 060 418**	**883 804**	**1 060 418**	**883 804**
Bank statement balance at beginning of year	1 162 721	529 700	1 162 721	529 700
Bank statement balance at end of year	**1 170 276**	**1 162 721**	**1 170 276**	**1 162 721**
Nedbank - Account Number 1626561834 (Tertiary Account - SARS VAT Receipts):				
Cash book balance at beginning of year	236	336	236	336
Cash book balance at end of year	**135**	**236**	**135**	**236**
Bank statement balance at beginning of year	236	336	236	336
Bank statement balance at end of year	135	**236**	135	**236**
Nedbank - Account Number 1014756022 (Tertiary Account - Traffic Fines):				
Cash book balance at beginning of year	-	-	-	-
Cash book balance at end of year (cleared monthly)	**-**	**-**	**-**	**-**
Bank statement balance at beginning of year	-	-	-	-
Bank statement balance at end of year	-	**-**	-	**-**
Traffic account is cleared daily to Primary Bank Account.				
ABSA Bank Limited - Account Number 1000014938 (Secondary Bank Account):				
Cash book balance at beginning of year	-	642 629	-	642 629
Cash book balance at end of year	**-**	-		-
Bank statement balance at beginning of year	-	637 234	-	637 234
Bank statement balance at end of year	-	-	-	-
Knysna ABSA - Account Number 407 660 8096 (Primary Bank Account):				
Cash book balance at beginning of year	2 218 550	-	-	-
Cash book balance at end of year	1 927 344	2 218 550	**-**	-
Bank statement balance at beginning of year	2 218 550	-	-	-
Bank statement balance at end of year	1 927 344	2 218 550	-	-

KNYSNA MUNICIPALITY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

		Economic Entity		Knysna Municipality	
		2012	2011	2012	2011
23	**CASH AND CASH EQUIVALENTS (CONTINUED)**	R	R	R	R
	Call Investment Deposits				
	Call investment deposits consist of the following accounts:				
	Nedbank - 03/7881531940/35 - Ceded DBSA	7 804 936	7 376 373	7 804 936	7 376 373
	Nedbank - 03/7881531940/26	-	425 287	-	425 287
	Nedbank - 03/7881080760/01	-	4 174 698	-	4 174 698
	Nedbank - 03/7881085932/01	-	5 060 204	-	5 060 204
	Nedbank Retail - 36294875-9998	4 108 883	-	4 108 883	-
	Nedbank Retail - 33162307-9997	-	2 598 767	-	2 598 767
	Old Mutual - 111249865	4 346 477	298 435	4 346 477	298 435
	Old Mutual - 111260822	-	339 018	-	339 018
	Old Mutual - 111243580	5 840 554	5 146 184	5 840 554	5 146 184
	Old Mutual - 111243583	-	17 561	-	17 561
	Old Mutual - 111249864	3 032 314	39 650	3 032 314	39 650
	Old Mutual - 111249866	-	24 053	-	24 053
	Standard Bank - 288567420-002	5 075 031	-	5 075 031	
	Standard Bank - 08/872631/001	7 747	-	7 747	-
	Standard Bank - 08/8726312/001	-	5 208 096		5 208 096
	Standard Bank - 08/8726312/004	-	249 953		249 953
	Investec - 021941-501	125 649	119 398	125 649	119 398
		30 341 591	**31 077 680**	**30 341 591**	**31 077 680**
	Guarantees Issued				
	In respect of a connection deposit to a bulk water pump station with Eskom Holdings Limited.	156 100	156 100	156 100	156 100

		Economic Entity		Knysna Municipality	
		2012	2011	2012	2011
24	**PROPERTY RATES**	R	R	R	R
	Actual				
	Rateable Land and Buildings	**148 241 333**	**138 063 738**	**148 241 333**	**138 063 738**
	Domestic	106 401 815	99 328 500	106 401 815	99 328 500
	Building Clause Levies	-	4 565	-	4 565
	Accommodation	16 147 160	15 145 671	16 147 160	15 145 671
	Commercial	15 111 519	13 664 281	15 111 519	13 664 281
	Church	807 319	763 980	807 319	763 980
	Light Industrial	3 725 343	3 453 943	3 725 343	3 453 943
	Agricultural / Rural	826 932	680 931	826 932	680 931
	State	3 558 383	3 167 216	3 558 383	3 167 216
	Other - Pensioners etc.	1 662 862	1 854 652	1 662 862	1 854 652
	Less: Rebates	**(22 877 136)**	**(21 272 360)**	**(22 877 136)**	**(21 272 360)**
	Total Assessment Rates	**125 364 197**	**116 791 378**	**125 364 197**	**116 791 378**
		2012	**2011**	**2012**	**2011**
	Valuations - 30 June	**R'000**	**R'000**	**R'000**	**R'000**
	Rateable Land and Buildings	**24 224 026**	**23 590 281**	**24 224 026**	**23 590 281**
	Domestic	18 996 667	18 639 371	18 996 667	18 639 371
	Accommodation	2 066 416	2 290 862	2 066 416	2 290 862
	Commercial	1 907 031	1 467 406	1 907 031	1 467 406
	Church	84 725	85 865	84 725	85 865
	Light Industrial	394 559	392 029	394 559	392 029
	Agricultural / Rural	113 093	4 925	113 093	4 925
	State	366 800	385 854	366 800	385 854
	Public benefit	15 680	14 500	15 680	14 500
	Public Infrastructure	6 267	5 353	6 267	5 353
	Municipal	224 388	252 373	224 388	252 373
	Others	48 400	51 743	48 400	51 743
	Total Assessment Rates	**24 224 026**	**23 590 281**	**24 224 026**	**23 590 281**

Assessment Rates are levied on the fair market value basis. The last valuation came into effect on 1 July 2008. Revaluations will be undertaken in terms of the Municipal Property Rates Act. Interim valuations are processed to take into account changes in individual property values due to alterations and subdivisions and also to accommodate growth in the rate base due mostly to private development.

A rate in the rand for domestic properties of R 0.0055836 was charged on the total market value. Businesses were charged at a rate of R 0.0096780 on the total market value.

Properties used for domestic purposes and consisting of both land and improvements are subject to a R30,000 valuation reduction. There are also different rebates and phased in tariffs for different sectors of the community. Interest on arrear accounts is charged at bank rate plus one percent.

Rates are levied monthly and payable by the last day of the following month. Interest is levied at the prime rate plus one percent on outstanding monthly instalments.

KNYSNA MUNICIPALITY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

		2012 R	2011 R	2012 R	2011 R
25	**GOVERNMENT GRANTS AND SUBSIDIES**				
	Unconditional Grants	**26 687 000**	**22 278 864**	**26 687 000**	**22 278 864**
	Equitable Share - Refer to Note 25.01	26 687 000	22 278 864	26 687 000	22 278 864
	Conditional Grants	**93 222 798**	**77 551 827**	**93 222 798**	**77 551 827**
	National FMG Grant	1 219 391	1 030 609	1 219 391	1 030 609
	National MIG Grant	17 777 506	20 284 743	17 777 506	20 284 743
	National MSIG Grant	722 027	817 973	722 027	817 973
	National: Neighbourhood Development Partnership Grant	7 764 120	1 398 764	7 764 120	1 398 764
	National INEP Grant	4 494 748	1 452 000	4 494 748	1 452 000
	National Municipal Disaster Management Grant (MDMG)	-	12 584 844	-	12 584 844
	Provincial Housing Grant	59 933 646	37 596 464	59 933 646	37 596 464
	Provincial Other Grants	1 023 398	967 345	1 023 398	967 345
	EDEN District Municipal Grant	-	290 000	-	290 000
	Other Spheres of Government Grants	-	-	-	-
	Other Organisational Grants	287 961	1 129 086	287 961	1 129 086
	Total Government Grants and Subsidies	**119 909 798**	**99 830 691**	**119 909 798**	**99 830 691**
	Government Grants and Subsidies - Capital	30 678 919	36 887 924	30 678 919	36 887 924
	Government Grants and Subsidies - Operating	89 230 879	62 942 767	89 230 879	62 942 767
		119 909 798	**99 830 691**	**119 909 798**	**99 830 691**

The municipality does not expect any significant changes to the level of grants.

Revenue recognised per vote as required by Section 123 (c) of the MFMA	2012 R	2011 R	2012 R	2011 R
Equitable share	26 687 000	22 278 864	26 687 000	22 278 864
Community Services	1 086 388	878 472	1 086 388	878 472
Corporate Services	78 000	157 236	78 000	157 236
Electricity	3 210 480	7 482 957	3 210 480	7 482 957
Executive & Council	20 064	-	20 064	-
Finance	1 941 419	2 437 780	1 941 419	2 437 780
Planning	69 001 218	41 008 752	69 001 218	41 008 752
Technical	17 885 229	25 586 630	17 885 229	25 586 630
	119 909 798	**99 830 691**	**119 909 798**	**99 830 691**

25.01 Equitable share

	26 687 000	**22 278 864**	**26 687 000**	**22 278 864**

The Equitable Share is the unconditional share of the revenue raised nationally and is being allocated in terms of Section 214 of the Constitution (Act 108 of 1996) to the municipality by the National Treasury.

25.02 *National: Finance Management Grant (FMG)*

Balance unspent at beginning of year	(30 609)	-	(30 609)	-
Current year receipts	1 250 000	1 000 000	1 250 000	1 000 000
Conditions met - transferred to revenue	(1 219 391)	(1 030 609)	(1 219 391)	(1 030 609)
Unspent (Unpaid) Conditional Government Grants and Receipts	**-**	**(30 609)**	**-**	**(30 609)**

The Financial Management Grant is paid by National Treasury to municipalities to help implement the financial reforms required by the Municipal Finance Management Act (MFMA), 2003. The FMG Grant also pays for the cost of the Financial Management Internship Programme (e.g. salary costs of the Financial Management Interns). No funds have been withheld.

25.03 *National: Municipal Infrastructure Grant (MIG)*

Balance unspent at beginning of year	(2 943 570)	5 668 173	(2 943 570)	5 668 173
Current year receipts	19 933 000	11 673 000	19 933 000	11 673 000
Conditions met - transferred to revenue	(17 777 506)	(20 284 743)	(17 777 506)	(20 284 743)
Unspent (Unpaid) Conditional Government Grants and Receipts	**(788 076)**	**(2 943 570)**	**(788 076)**	**(2 943 570)**

The grant was used to construct roads, labour intensive side walks and sewerage infrastructure as part of the upgrading of informal settlement areas (included in roads and sewerage votes in Appendix B). No funds have been withheld.

25.04 *National: Municipal Systems Improvement Grant*

Balance unspent at beginning of year	(67 973)	-	(67 973)	-
Current year receipts	790 000	750 000	790 000	750 000
Conditions met - transferred to revenue	(722 027)	(817 973)	(722 027)	(817 973)
Unspent (Unpaid) Conditional Government Grants and Receipts	**-**	**(67 973)**	**-**	**(67 973)**

The MSIG was used for building in-house capacity to perform municipal functions and stabilise institutional and governance systems, most especially the Visual Information Management System.

25.05 *National: Neighbourhood Development Partnership Grant*

Balance unspent at beginning of year	3 601 236	-	3 601 236	
Current year receipts	4 120 000	5 000 000	4 120 000	5 000 000
Conditions met - transferred to revenue	(7 764 120)	(1 398 764)	(7 764 120)	(1 398 764)
Unspent (Unpaid) Conditional Government Grants and Receipts	**(42 884)**	**3 601 236**	**(42 884)**	**3 601 236**

The NDPG is being utilised for development of economic nodes within previously disadvantaged areas.

25.06 *National: Integrated National Electrification Program Grant*

Current year receipts	4 300 000	1 452 000	4 300 000	1 452 000
Conditions met - transferred to revenue	(4 494 748)	(1 452 000)	(4 494 748)	(1 452 000)
Unspent (Unpaid) Conditional Government Grants and Receipts	**(194 748)**	**-**	**(194 748)**	**-**

The INEP Grant was used to address electrification backlogs of permanently occupied dwellings.

KNYSNA MUNICIPALITY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

		Economic Entity		Knysna Municipality	
		2012	2011	2012	2011
25	**GOVERNMENT GRANTS AND SUBSIDIES (CONTINUED)**	R	R	R	R
25.07	***National Municipal Disaster Management Grant (MDMG)***				
	Balance unspent at beginning of year	-	(5 315 156)	-	(5 315 156)
	Current year receipts	-	17 900 000	-	17 900 000
	Conditions met - transferred to revenue	-	(12 584 844)	-	(12 584 844)
	Unspent (Unpaid) Conditional Government Grants and Receipts	**-**	**-**	**-**	**-**
	The MDMG was awarded as a drought relief grant and is to be utilised in the creation of additional water resources, specifically ground water and desalination.				
25.08	***Provincial - Integrated Housing & Human Settlements Grant***				
	Balance unspent at beginning of year	(430 527)	(2 126 376)	(430 527)	(2 126 376)
	Current year receipts	59 519 709	39 292 313	59 519 709	39 292 313
	Conditions met - transferred to revenue	(59 933 646)	(37 596 464)	(59 933 646)	(37 596 464)
	Unspent (Unpaid) Conditional Government Grants and Receipts	**(844 464)**	**(430 527)**	**(844 464)**	**(430 527)**
	The IHHS from the Department of Local Government & Housing is used for the construction of infrastructure and houses in the Vision 2002, Flenters/Robololo & Sizamile Housing projects; as well as for the rectification of housing units in the greater Knysna area built pre- and post-1994.				
25.09	***Provincial - Other Provincial Grants***				
	Balance due at beginning of the year	-	(32 833)	-	(32 833)
	Balance unspent at beginning of the year	838 624	1 053 801	838 624	1 053 801
	Current year receipts	1 416 000	785 000	1 416 000	785 000
	Conditions met - transferred to revenue	(1 023 398)	(967 345)	(1 023 398)	(967 345)
	Unspent (Unpaid) Conditional Government Grants and Receipts	**1 231 225**	**838 624**	**1 231 225**	**838 624**
	Various grants were received from Provincial Government for sanitation, libraries, transport, disaster relief, etc; the main grants being: Community Development Workers, Emergency Housing Program, Library Services, Maintenance of Proclaimed Roads, Sport and Non-motorised Transport Grants.				
25.10	***Provincial - Contributed Assets***				
	Current year asset contributed	-	823 000	-	823 000
	Conditions met - transferred to revenue	-	(823 000)	-	(823 000)
	Unspent (Unpaid) Conditional Government Grants and Receipts	**-**	**-**	**-**	**-**
	The Provincial Government transferred two erven to the municipality at a nominal value of R2 (2011). In terms of GRAP 17.23 the assets were recognised at a fair value, being the value determined by the General Valuation adjusted by property index for the particular use in the area concerned.				
25.11	***District - EDEN District Municipal Grants***				
	Balance unspent at beginning of year	150 000	290 000	150 000	290 000
	Balance due at beginning of the year	-	-	-	-
	Current year receipts	-	150 000	-	150 000
	Conditions met - transferred to revenue	-	(290 000)	-	(290 000)
	Unspent (Unpaid) Conditional Government Grants and Receipts	**150 000**	**150 000**	**150 000**	**150 000**
	The unspent EDEN grants comprise amounts received and to be utilised for prepaid meters in Karatara (2010), a Biodiversity Study (2010) and a Knysna Survey Project (2011).				
25.12	***Other Spheres of Government Grants***				
	Balance unspent at beginning of year	314 761	234 761	314 761	234 761
	Current year receipts	-	80 000	-	80 000
	Conditions met - transferred to revenue	-	-	-	-
	Unspent (Unpaid) Conditional Government Grants and Receipts	**314 761**	**314 761**	**314 761**	**314 761**
	This unspent Grant is from Masibambane (DWAE) and to be utilised for the continued development of Asset Maintenance Plans.				
25.13	***Other organisational grants***				
	Balance due at beginning of the year	(98 688)	(432 021)	(98 688)	(432 021)
	Balance unspent at the beginning of the year	728 980	1 167 262	728 980	1 167 262
	Impairment	98 688	-	98 688	
	Current year receipts	-	1 024 137	-	1 024 137
	Conditions met - transferred to revenue	(287 961)	(1 129 086)	(287 961)	(1 129 086)
	Conditions met - balance due by organisation transferred to current assets	**-**	**(98 688)**	**-**	**(98 688)**
	Conditions met - balance transferred to current liabilities	**441 019**	**728 980**	**441 019**	**728 980**
	Various grants from Other Organisations used for sports facilities, capacity building and youth advisory centre - organisations being National Lottery, Local Government Seta and Umsobomvu Youth Fund.				
25.14	***Changes in levels of government grants***				
	Based on the allocations set out in the Division of Revenue Act, (Act 6 of 2011), no significant changes in the level of government grant funding are expected over the forthcoming 3 financial years.				

KNYSNA MUNICIPALITY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

26 SERVICE CHARGES

Electricity	160 872 713	139 133 502	160 872 713	139 133 502
Service Charges	163 677 780	142 084 025	163 677 780	142 084 025
Less: Rebates	(2 805 067)	(2 950 523)	(2 805 067)	(2 950 523)
Water	40 827 611	38 949 307	40 827 611	38 949 307
Service Charges	47 194 364	44 532 492	47 194 364	44 532 492
Less: Rebates	(6 366 753)	(5 583 186)	(6 366 753)	(5 583 186)
Refuse removal	13 130 612	12 695 305	13 130 612	12 695 305
Service Charges	14 097 914	13 490 219	14 097 914	13 490 219
Less: Rebates	(967 302)	(794 914)	(967 302)	(794 914)
Sewerage and Sanitation Charges	9 541 939	9 096 234	9 541 939	9 096 234
Service Charges	10 413 392	9 812 504	10 413 392	9 812 504
Less: Rebates	(871 452)	(716 270)	(871 452)	(716 270)
Other Service Charges	2 175 962	2 143 944	2 175 962	2 143 944
Total Service Charges	**226 548 838**	**202 018 292**	**226 548 838**	**202 018 292**

Rebates can be defined as any income that the Municipality is entitled by law to levy, but which has subsequently been forgone by way of rebate or remission.

27 OTHER INCOME

Administration fees	175 430	178 599	175 430	178 599
Fruitlessr expenditure recovered	206 196	9 380	206 196	9 380
Parking fees	68 168	27 527	68 168	27 527
Penalty disconnection fees	227 135	505 451	227 135	505 451
Sundries	479 698	607 390	479 698	607 390
Valuation certificates	198 118	158 320	198 118	158 320
Sale of refuse bags	169 425	132 027	169 425	132 027
Total Other Income	**1 524 171**	**1 618 694**	**1 524 171**	**1 618 694**

	Economic Entity		Knysna Municipality	
	2012	2011	2012	2011
28 EMPLOYEE RELATED COSTS	R	R	R	R
Employee Related Costs - Salaries and Wages	86 122 494	77 020 012	86 122 494	77 020 012
Employee Related Costs - Contributions for UIF, Pensions and Medical Aids	23 336 222	21 748 299	23 336 222	21 748 299
Travel, Motor Car, Accommodation, Subsistence and Other Allowances	7 611 434	6 366 995	7 611 434	6 366 995
Housing Benefits and Allowances	1 393 462	1 350 944	1 393 462	1 350 944
Overtime Payments	6 155 397	5 081 783	6 155 397	5 081 783
Bonuses	6 073 624	5 482 519	6 073 624	5 482 519
Provision for leave (Restated for 2011)	1 337 463	1 262 523	1 337 463	1 262 523
TASK implemetation	197 437	214 961	197 437	214 961
Contribution to provision - Ex-gratia pensions - Note 4	32 882	34 133	32 882	34 133
Contribution to provision - Long Service Awards - Note 4	1 436 470	1 129 299	1 436 470	1 129 299
Contribution to provision - Post Retirement Medical - Note 4	7 232 345	6 119 223	7 232 345	6 119 223
	140 929 230	**125 810 690**	**140 929 230**	**125 810 690**
Less: Employee Costs allocated elsewhere	(1 514 940)	(795 860)	(1 514 940)	(795 860)
Total Employee Related Costs	**139 414 290**	**125 014 831**	**139 414 290**	**125 014 831**

KEY MANAGEMENT PERSONNEL

Key management personnel are all appointed on 5-year fixed contracts. There are no post-employment or termination benefits payable to them at the end of the contract periods.

REMUNERATION OF KEY MANAGEMENT PERSONNEL

Remuneration of the Municipal Manager - Mr JB Douglas - July 2011 - August 2011

Annual Remuneration (including until 31 Dec 2011 by agreement)	501 966	902 265	501 966	902 265
Backpay	58 912	58 912	58 912	58 912
Leave pay	214 249	-	214 249	
Acting Allowance : R. K Smit	-	16 232	-	16 232
Car Allowance	48 000	96 000	48 000	96 000
Telephone Allowance	6 185	12 000	6 185	12 000
Performance Bonus	103 792	100 379	103 792	100 379
Pro-rata Bonus 2011/2012	54 491	-	54 491	
Contributions to UIF, Medical and Pension Funds	91 227	181 782	91 227	181 782
Total	**1 078 822**	**1 367 570**	**1 078 822**	**1 367 570**

Remuneration of the Municipal Manager - Ms L Waring - March 2012 - June 2012

Annual Remuneration	284 937	-	284 937	
Car Allowance	20 000	-	20 000	
Telephone Allowance	6 000	-	6 000	
Contributions to UIF, Medical and Pension Funds	51 788	-	51 788	
Total	**362 725**	**-**	**362 725**	**-**

KNYSNA MUNICIPALITY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

		Economic Entity		Knysna Municipality	
		2012	2011	2012	2011
28	**EMPLOYEE RELATED COSTS (CONTINUED)**	R	R	R	R
	Remuneration of the Director Technical Services - E Myalato				
	Annual Remuneration	557 156	700 695	557 156	700 695
	Car Allowance	110 000	47 808	110 000	47 808
	Performance Bonus (Pro-rata 2010/2011)	17 823	268 054	17 823	268 054
	Settling in allowance	6 000	183 703	6 000	183 703
	Telephone allowance	11 000	10 000	11 000	10 000
	Housing allowance	-	3 467		3 467
	Contributions - UIF, Medical, Pension	103 132	148 926	103 132	148 926
	Total	**805 111**	**1 362 652**	**805 111**	**1 362 652**
	Remuneration of the Electro-Technical Engineer - L Richardson				
	Annual Remuneration	382 248	342 753	382 248	342 753
	Car Allowance	114 964	83 506	114 964	83 506
	Car Allowance Backpay	-	94 994	-	94 994
	Annual Bonus (13th cheque)	31 854	27 966	31 854	27 966
	Telephone allowance	11 087	1 044	11 087	1 044
	Contributions - UIF, Medical, Pension	124 426	114 498	124 426	114 498
	Total	**664 579**	**664 760**	**664 579**	**664 760**
	Remuneration of the Director Technical Services - N Perring (Retired).				
	Performance Bonus (Pro-rata 2010/2011)	54 062	-	54 062	-
		54 062	-	54 062	-
	Remuneration of the Director Corporate Services - RK Smit				
	Annual Remuneration	769 517	697 483	769 517	697 483
	Backpay	44 029	-	44 029	
	Car Allowance	41 000	96 000	41 000	96 000
	Telephone Allowance	12 444	12 444	12 444	12 444
	Performance Bonus	77 571	66 685	77 571	66 685
	Contributions - UIF, Medical, Pension	140 010	119 119	140 010	119 119
	Total	**1 084 571**	**991 731**	**1 084 571**	**991 731**
	Remuneration of the Director Financial Services - G Easton				
	Annual Remuneration	1 047 728	996 781	1 047 728	996 781
	Backpay	51 228	-	51 228	-
	Car Allowance	36 000	36 000	36 000	36 000
	Telephone Allowance	13 066	13 066	13 066	13 066
	Performance Bonus	90 254	87 286	90 254	87 286
	Contributions to UIF, Medical and Pension Funds	73 228	28 956	73 228	28 956
	Total	**1 311 503**	**1 162 090**	**1 311 503**	**1 162 090**
	Remuneration of the Director Strategy (2010/2011 Acting) - L Gwintsha				
	Annual Remuneration (Acting)	-	138 258	-	138 258
	Performance Bonus	-	41 678	-	41 678
	Total	**-**	**179 936**	**-**	**179 936**
	Remuneration of the Director Community Services - CG Botha				
	Annual Remuneration	597 281	594 027	597 281	594 027
	Acting allowance as Municipal Manager - July 2011	7 580	-	7 580	-
	Backpay	38 396	-	38 396	-
	Car Allowance	96 000	109 500	96 000	109 500
	Telephone Allowance	12 000	12 000	12 000	12 000
	Performance Bonus	67 647	36 346	67 647	36 346
	Contributions to UIF, Medical and Pension Funds	136 037	120 666	136 037	120 666
	Total	**954 941**	**872 538**	**954 941**	**872 538**
	Remuneration of Director Planning and Development - Ms L Waring - (July 2011 - February 2012)				
	Annual Remuneration	480 541	727 992	480 541	727 992
	Acting allowance as Municipal Manager (September 2011 - February 2012)	102 427	-	102 427	-
	Backpay	44 029	-	44 029	-
	Car Allowance	40 000	60 000	40 000	60 000
	Telephone allowance	8 296	12 444	8 296	12 444
	Performance Bonus	77 571	91 692	77 571	91 692
	Contributions - UIF, Medical, Pension	88 048	124 611	88 048	124 611
	Total	**840 912**	**1 016 738**	**840 912**	**1 016 738**
	Remuneration of the Acting Chief Excutive Officer of the Entity - Ms T Goslett				
	Annual Remuneration	315 000	390 000	-	-
	Contributions - UIF, Medical, Pension	1 123	873	-	-
	Total	**316 123**	**390 873**	**-**	**-**

KNYSNA MUNICIPALITY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

29 REMUNERATION OF COUNCILLORS

Executive Mayor	630 735	588 886	630 735	588 886
Executive Deputy Mayor	508 356	477 944	508 356	477 944
Speaker	508 356	477 944	508 356	477 944
Councillors	2 539 572	2 099 642	2 539 572	2 099 642
Mayoral Committee	1 432 205	943 666	1 432 205	943 666
Total Councillors' Remuneration	**5 619 224**	**4 588 082**	**5 619 224**	**4 588 082**

In-kind Benefits

The Executive Mayor, Executive Deputy Mayor, Speaker and Executive Committee Members are full-time Councillors. Each is provided with an office and shared secretarial support at the cost of the Municipality. The Executive Mayor may utilise official Council transportation when engaged in official duties.

Certification by the Municipal Manager

I certify that the remuneration of Councillors and in-kind benefits are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Officer Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act.

Signed: Municipal Manager

30 REMUNERATION OF DIRECTORS OF KNYSNA ECONOMIC DEVELOPMENT AGENCY (Included in Discontinued operations - Note 39)

Sitting allowances	-	44 000	-	-
Total Councillors' Remuneration	**-**	**44 000**	**-**	**-**

Discloser in terms of Sect 124(2)(a) of the MFMA

The members of the board of directors of the entity are non-executive directors.

	Economic Entity		Knysna Municipality	
	2012	**2011**	**2012**	**2011**
	R	**R**	**R**	**R**
31 DEBT IMPAIRMENT				
Long Term Receivables - Note 18	(23 492)	(23 259)	(23 492)	(23 259)
Investment in Entity - Restated 2011 - Note 17	-	-	510 060	1 039 777
Unpaid grant written off - Note 25.13	98 688	-	98 688	-
Receivables from exchange transactions - Note 20	21 846 226	12 632 170	21 846 226	12 632 170
Less: Correction of error - Note 40.14	-	(832 490)		(832 490)
Receivables from non-exchange transactions - Note 21	4 904 052	3 135 457	4 904 052	3 135 457
Less : Contribution from Vat - Note 12	(2 193 729)	-	(2 193 729)	-
Total Contribution to Impairment Provision	**24 631 745**	**14 911 878**	**25 141 805**	**15 951 655**
32 IMPAIRMENTS				
Stock impaired	19 359	69 742	19 359	69 742
Property, Plant & Equipment (Land and Buildings)	128 555 455	-	128 555 455	-
Cash and Cash equivalents - Armed Robbery	-	53 963	-	53 963
	128 574 813	**123 705**	**128 574 813**	**123 705**

The current negative economic climate and resultant decline in property prices is the main reason for the impairments on Land and Buildings.

33 FINANCE CHARGES				
Long-term liabilities (Restated 2010)	16 685 997	17 193 358	16 685 997	17 193 358
Total finance charges	**16 685 997**	**17 193 358**	**16 685 997**	**17 193 358**
Borrowing costs capitalised in terms of GRAP 5.	**382 897**	**108 869**	**382 897**	**108 869**
34 BULK PURCHASES				
Electricity	107 621 419	85 585 757	107 621 419	85 585 757
Refuse drums	26 000	32 420	26 000	32 420
Total Bulk Purchases	**107 647 419**	**85 618 177**	**107 647 419**	**85 618 177**
35 CONTRACTED SERVICES				
Comissions for prepayment vendors	4 893 600	4 064 790	4 893 600	4 064 790
Refuse dumping fees - Mossgas	4 050 404	3 237 978	4 050 404	3 237 978
Other	6 418 954	5 760 079	6 418 954	5 760 079
Total Contracted Services	**15 362 958**	**13 062 847**	**15 362 958**	**13 062 847**

KNYSNA MUNICIPALITY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

		Economic Entity		Knysna Municipality	
		2012 R	2011 R	2012 R	2011 R
36	**GRANTS AND SUBSIDIES**				
	Grants-in-aid and Donations	1 288 606	1 602 781	1 288 606	1 602 781
	Knysna Economic Development Agency	-	-	-	-
	Knysna Tourism	4 495 000	4 240 000	4 495 000	4 240 000
	Total Grants and Subsidies	**5 783 606**	**5 842 781**	**5 783 606**	**5 842 781**
37	**OTHER OPERATING GRANT EXPENDITURE**				
	NATIONAL GRANTS	**2 207 953**	**2 173 412**	**2 207 953**	**2 173 412**
	Local Government Finance Management Grant	1 151 457	905 286	1 151 457	905 286
	Municipal Infrastructure Grant	386 983	515 452	386 983	515 452
	Municipal System Improvements Grant	669 514	752 674	669 514	752 674
	PROVINCIAL GRANTS	**51 307 111**	**35 995 567**	**51 307 111**	**35 995 567**
	Community Development Worker	45 555	26 430	45 555	26 430
	Ward Based Projects	-	40 155	-	40 155
	Housing Consumer Education	19 184	51 765	19 184	51 765
	Integrated Housing & Human Settlements (Restated for 2011)	50 519 914	35 046 468	50 519 914	35 046 468
	Library Services	526 867	511 000	526 867	511 000
	Sport & Recreation	139 731	-	139 731	-
	Poverty Alleviation	35 797	282 017	35 797	282 017
	Management Support Grant: PMS	20 064	37 733	20 064	37 733
	DISTRICT GRANTS	**-**	**90 000**	**-**	**90 000**
	Bio Diversity	-	90 000	-	90 000
	GRANTS FROM OTHER ORGANISATIONS	**49 278**	**161 369**	**49 278**	**161 369**
	Danish Embassy: Danish Football Grant	49 278	-	49 278	-
	LGSETA: Learnerships	-	75 914	-	75 914
	UYF: Youth Advisory Centre	-	85 454	-	85 454
		53 564 343	**38 420 347**	**53 564 343**	**38 420 347**

		Economic Entity		Knysna Municipality	
		2012 R	2011 R	2012 R	2011 R
38	**GENERAL EXPENSES**				
	Other Materials	**16 456 587**	**14 646 148**	**16 456 587**	**14 646 148**
	Electricity Charge (Direct from ESKOM)	1 128 340	1 025 376	1 128 340	1 025 376
	Fuel, Oil & Vehicle Management	5 456 625	4 186 090	5 456 625	4 186 090
	Materials & Stores	3 773 316	3 858 621	3 773 316	3 858 621
	Consumables & Stationery	1 115 292	1 169 098	1 115 292	1 169 098
	Protective Clothing	568 276	594 739	568 276	594 739
	Environmental Protection	200 571	255 591	200 571	255 591
	Chemical Supplies	4 214 166	3 556 633	4 214 166	3 556 633
	Other Expenditure	**39 556 408**	**38 270 076**	**39 556 408**	**38 270 076**
	Advertising and Media	1 743 840	1 302 480	1 743 840	1 302 480
	Audit Fees	3 221 419	2 335 110	3 221 419	2 335 110
	Bank Charges	1 235 509	1 006 346	1 235 509	1 006 346
	Collection Costs	195 082	367 304	195 082	367 304
	Consultants Fees	3 186 298	1 169 609	3 186 298	1 169 609
	Contrb to Non Current Provisions	956 945	3 434 587	956 945	3 434 587
	Eradication of alien vegetation	*690 695*	*792 106*	*690 695*	*792 106*
	Rehabilitation of tip sites	*266 250*	*2 642 481*	*266 250*	*2 642 481*
	Entity's Expenditure (Restated 2011)	-	-	-	-
	Foreign Exchange Loss	311 055	-	311 055	-
	General Expenses	2 236 344	2 650 930	2 236 344	2 650 930
	Insurance	1 552 111	1 443 446	1 552 111	1 443 446
	Levies, Subscriptions and Licences	4 513 720	4 063 021	4 513 720	4 063 021
	Office Space Rental	3 703 602	3 541 561	3 703 602	3 541 561
	Planning	864 439	875 336	864 439	875 336
	Projects	7 763 181	8 209 307	7 763 181	8 209 307
	Community based Initiatives	*1 583 003*	*2 083 454*	*1 583 003*	*2 083 454*
	Municipal contribution towards low cost housing	*3 017 515*	*2 349 155*	*3 017 515*	*2 349 155*
	Operating projects	*2 486 503*	*2 521 296*	*2 486 503*	*2 521 296*
	World Cup 2010	-	*818 375*	-	*818 375*
	Removal of trees project	*676 160*	*437 026*	*676 160*	*437 026*
	Staff Related (recruitment, training, etc.)	1 758 835	1 179 667	1 758 835	1 179 667
	Telecommunications and Postage	3 756 573	4 009 531	3 756 573	4 009 531
	Travel, Entertainment and Functions	2 557 456	2 681 841	2 557 456	2 681 841
	General Expenses	**56 012 995**	**52 916 224**	**56 012 995**	**52 916 224**

KNYSNA MUNICIPALITY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

		Economic Entity		Knysna Municipality	
		2012	2011	2012	2011
39	**DISCONTINUED OPERATIONS**	R	R	R	R

Investment in Municipal Entity

The Municipality has a 100% shareholding in Amaraka Investments No 64 (Pty) Ltd T/A Knysna Economic Development Agency, as set out in note 17 to the Annual Financial Statements. No other transactions was entered into with this related party for the current financial year. The Municipal Council resolved in June 2012 that the Municipal Manager must take all steps to discontinue the Entity.

The effect of Discontinued Operations on the Statement of Financial Position is as follows:

Assets associated with Discontinued Operations				
Taxes	4 212	-	-	-
Cash and Cash Equivalents	1 927 932	-	-	-
Property, Plant and Equipment	52 176	-	-	-
	1 984 321	**-**		
Net Assets associated with Discontinued Operations				
Net Assets	503 868	-	-	-
	503 868	**-**	**-**	**-**
Liabilities associated with Discontinued Operations				
Unspent Conditional Government Grants and Receipts	1 673 456	-	-	-
Taxes	-	-	-	-
Non-current Operating Lease Liability	17 195	-	-	-
	1 690 651	**-**	**-**	**-**

At the Statement of Financial Position date, where the entity acts as a lessee under operating leases, it will pay operating lease expenditure as follows:

Up to 1 Year	222 366	-	-	-
Total Operating Lease Arrangements	**222 366**	**-**	**-**	**-**

The entityy did not pay any contingent rent during the year

The entity does not engage in any sub-lease arrangements.

The effect of Discontinued Operations on the Statement of Financial Performance is as follows:

Income				
Government Grants and Subsidies - Operating	345 653	186 027	-	-
Interest Earned - external investments	52 205	-	-	-
Expenditure				
Employee Related Costs	(316 123)	(390 873)	-	-
Remuneration of Directors of Knysna Economic Development Agency - Note 30	-	(44 000)	-	-
Depreciation and Amortisation	(9 685)	(4 723)	-	-
General Expenses	(582 110)	(798 185)	-	-
Total effect of Discontinued Operations	**(510 061)**	**(1 051 753)**		

The effect of Discontinued Operations on the Cashflow Statement is as follows:

Changes in Operating Activities	(831 189)	734 070	-	-
Changes in Investing Activities	539 311	1 485 741	-	-
Net increase/(decrease) in Cash and Cash Equivalents	**(291 878)**	**2 219 811**	**-**	**-**

		Economic Entity	Knysna Municipality
		2011	2011
40	**CORRECTION OF ERROR IN TERMS OF GRAP 3 (INCLUDING DISCONTINUED OPERATIONS)**	R	R
40.01	**VAT**		
	Balance previously reported	299 129	603 589
	VAT on impairment of Trade Receivables previously expensed now being recovered from the Output VAT Suspense Account- Opening balance adjustment - Refer to Note 40.13	2 362 480	2 362 480
	VAT on impairment of Trade Receivables previously expensed now being recovered from the Output VAT Suspense Account- Prior year adjustment - Refer to Note 40.14	832 490	832 490
	Correction of Payables not provided for - Note - 40.14	470	-
	Small corrections on input VAT claimed - Note 40.14	(984)	
	Total	**3 493 585**	**3 798 559**
40.02	**Payables from Exchange Transactions**		
	Balance previously reported	36 847 695	36 833 575
	Correction of Payables not provided for - Note - 40.14	3 828	-
	Contractor payments not previously recognised - Note - 40.14	256 999	256 999
	Entity advance not previously reversed on consolidation - Note 40.04	(553 197)	-
	Total	**36 555 325**	**37 090 575**

KNYSNA MUNICIPALITY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

		Economic Entity 2011 R	Knysna Municipality 2011 R
40	**CORRECTION OF ERROR IN TERMS OF GRAP 3 (INCLUDING DISCONTINUED OPERATIONS)**		
40.03	**Inventory**		
	Balance previously reported	2 223 246	2 223 246
	Electricity Sub-store inventory not previously recognised - Note 19	2 070 786	2 070 786
	Total	**4 294 032**	**4 294 032**
40.04	**Receivables from Non-Exchange Transactions**		
	Balance previously reported	20 423 269	19 870 072
	Entity advance not previously reversed on consolidation - Note 40.02	(553 197)	
	Total	**19 870 072**	**19 870 072**
40.05	**Unspent Conditional Government Grants and Receipts**		
	Balance previously reported	7 652 883	5 633 600
	Correction of Grant revenue - Note 40.14	(174)	-
	Total	**7 652 709**	**5 633 600**
40.06	**Current Employee Benefits**		
	Adjustment to staff leave incorrectly calculated on salaries and not to the cost to employer - Note 7		
	Balance previously reported	14 389 046	14 389 046
	Adjustment to opening balance - Note 40.13	2 643 319	2 643 319
	Adjustment for the prior year - Note 40.14	(1 499)	(1 499)
	Total	**17 030 866**	**17 030 866**
40.07	**Non-current provisions**		
	Adjustment to non-current provisons due to the clearing of alien vegetation not adjusted for all applicable erven- Note 5		
	Balance previously reported	5 987 299	5 987 299
	Adjustment to opening balance - Note 40.13	7 492 150	7 492 150
	Adjustment for the prior year - Note 40.14	(197 776)	(197 776)
	Total	**13 281 673**	**13 281 673**
40.08	**Non-current provisions reserve**		
	Adjustment to non-current provisons due to the clearing of alien vegetation not adjusted for all applicable erven- Note		
	Balance previously reported	4 656 176	4 656 176
	Adjustment for the prior year - Note 2	1 458 875	1 458 875
	Total	**6 115 051**	**6 115 051**
40.09	**Property, Plant and Equipment**		
	Balance previously reported	878 587 450	878 587 450
	Finance lease assets disposed in 2011 not previously disposed - Cost - Note 13	(323 219)	(323 219)
	Finance lease assets disposed in 2011 not previously disposed - Accumulated depreciation - Note 13	323 213	323 213
	Top structure incorrectly recognised as Infrastructure WIP in 2011 - Cost - Note 13	(471 283)	(471 283)
	Infrastructure WIP incorrectly recognised as repairs and maintenance in the previous year - Cost - Note 13	991 709 -	991 709
	Infrastructure additions incorrectly recognised as other assets and incorrect unbundling - Accumulated depreciation - Note 13	(4 991)	(4 991)
	Incorrect recognition and unbundling of vision 2002 infrastructure - Cost - Note 13	(25 240 440)	(25 240 440)
	Incorrect recognition and unbundling of vision 2002 infrastructure - Accumulated depreciation - Note 13	(1 056 960)	(1 056 960)
	Recognition of unbundled infrastructure previously incorrectly disclosed as WIP - Accumulated depreciation - Note 13	(5 447)	(5 447)
	Correction of incorrect classification of properties as land and buildings and investment property - Cost - Note 13	(33 637 000)	(33 637 000)
	Correction of incorrect classification of properties as land and buildings and investment property - Accumulated impairment transferred to Cost - Note 13	(4 324 567)	(4 324 567)
	Correction of incorrect classification of properties as land and buildings and investment property - Accumulated depreciation transferred to Cost - Note 13	5 567	5 567
	Correction if incorrect recognition of backlog depreciation on unbundled infrastructure acquired prior 2007 - Accumulated depreciation opening balance - Note 13	- (88 538 742)	(88 538 742)
	Correction if incorrect recognition of backlog depreciation on unbundled infrastructure acquired prior 2007 - Accumulated depreciation 2011 additions - Note 13	(740 910)	(740 910)
	Correction of community assets incorrectly overstated - Cost opening balance - Note 13	(218 459)	(218 459)
	Correction of community assets incorrectly overstated - Cost additions - Note 13	(17 871)	(17 871)
	Correction of community assets incorrectly overstated - Accumulated depreciation opening balance - Note 13	215 298	215 298
	Correction of community assets incorrectly overstated - Accumulated depreciation additions - Note 13	989	989
	Correction due to change in useful life of infrastructure previously incorrectly estimated - Accumulated depreciation opening balance - Note 13	192 862	192 862
	Correction due to change in useful life of infrastructure previously incorrectly estimated - Accumulated depreciation additions 2011 - Note 13	59 694	59 694
	Total	**725 796 892**	**725 796 892**

KNYSNA MUNICIPALITY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

		Economic Entity 2011 R	Knysna Municipality 2011 R
40	**CORRECTION OF ERROR IN TERMS OF GRAP 3 (INCLUDING DISCONTINUED OPERATIONS)**		
40.10	**Intangible assets**		
	Balance previously reported	**88 133**	**88 133**
	Correction of Intangible assets no longer in use incorrectly not written off - Note 16 and 40.13	(12)	(12)
	Correction due to change in useful life of intangible assets previously incorrectly estimated - Note 16 and 40.13	796 177	796 177
	Correction of Intangible assets no longer in use incorrectly not written off - Loss on disposal of intangible assets	(3)	(3)
	Correction due to change in useful life of intangible assets previously incorrectly estimated - Depreciation and amortisation	(66 348)	(66 348)
	Total	**817 947**	**817 947**
40.11	**Investment Properties**		
	Balance previously reported	160 441 000	160 441 000
	Correction of incorrect classification of properties as land and buildings and investment property - Fair value - Note 15	33 345 000	33 345 000
	Correction of incorrect classification of properties as land and buildings and investment property - Fair value adjustments - Note 15	4 281 000	4 281 000
	Total	**198 067 000**	**198 067 000**
40.12	**Non-current Investments**		
	Balance previously reported	14 983 551	14 983 551
	Correction of impairment of investment in Entity in order to reflect the nett assets - Note 40.14	-	474 616
	Total	**14 983 551**	**15 458 167**
40.13	**Accumulated Surplus/(Deficit)**		
	Balance previously reported	**854 488 616**	**854 488 616**
		(115 791 421)	**(115 791 421)**
	VAT on impairment of Trade Receivables previously expensed now being recovered from the Output		
	VAT Suspense Account- Opening balance adjustment - Refer to Note 40.01	2 362 480	2 362 480
	Electricity Sub-store inventory not previously recognised - Note 19	1 229 179	1 229 179
	Adjustment to staff leave calculated on Cost to Employer - Note 7	(2 643 319)	(2 643 319)
	Adjustment to clearing of alien vegetation provision - Note 40.07	(7 492 150)	(7 492 150)
	Incorrect recognition and unbundling of vision 2002 infrastructure - Note 13	(26 717 735)	(26 717 735)
	Correction of housing scheme property incorrectly recognised as Investment property - Note 13	(292 000)	(292 000)
	Correction of 2011 reversal of land and buildings impairment loss - Accumulated impairment transferred to Cost - Note 13	2 719 000	2 719 000
	Correction of incorrect recognition of backlog depreciation on unbundled infrastructure acquired prior 2007 - Accumulated depreciation opening balance - Note 13	(88 538 742)	(88 538 742)
	Correction of community assets incorrectly overstated - Note 13	(3 161)	(3 161)
	Correction due to change in useful life of infrastructure previously incorrectly estimated - Note 13	192 862	192 862
	Correction of Intangible assets no longer in use incorrectly not written off - Note 16	(12)	(12)
	Correction due to change in useful life of intangible assets previously incorrectly estimated - Note 16	796 177	796 177
	Correction of 2011 Investment property revaluation - Fair value adjustments - Note 15	2 596 000	2 596 000
	Total	**738 697 195**	**738 697 195**
40.14	**Statement of financial performance**		
	Surplus previously reported	**98 340 835**	**98 340 835**
		(3 108 121)	**(3 096 144)**
	VAT on impairment of Trade Receivables previously expensed now being recovered from the Output		
	VAT Suspense Account- Prior year adjustment - Debt Impairment - Refer to Note 40.01	832 490	832 490
	Adjustment to staff leave calculated on Cost to Employer - Note 7	1 499	1 499
	Finance lease assets disposed in 2011 not previously disposed - Gain on disposal of Property, plant and equipment	(6)	(6)
	Electricity Sub-store inventory not previously recognised - Repairs and Maintenance - Note 19	841 607	841 607
	Contractor payments not previously recognised - Notes 9 and 40.02	(256 999)	(256 999)
	Adjustment to clearing of alien vegetation provision - Note 40.07	197 776	197 776
	Adjustment to contribution for impairment of investment in entity - Notes 40.12 and 17	466 807	474 616
	Top structure incorrectly recognised as Infrastructure WIP in 2011 - Operating Grant Expenditure	(471 283)	(471 283)
	Infrastructure WIP incorrectly recognised as repairs and maintenance in the previous year - Repairs and maintenance	991 709	991 709
	Infrastructure additions incorrectly recognised as other assets and incorrect depreciation on unbundling - Depreciation and amortisation	(4 991)	(4 991)
	Incorrect recognition and unbundling of vision 2002 infrastructure - Depreciation and amortisation	486 402	486 402
	Incorrect recognition and unbundling of vision 2002 infrastructure	(66 067)	(66 067)
	Recognition of unbundled infrastructure previously incorrectly disclosed as WIP - Depreciation	(5 447)	(5 447)
	Correction of housing scheme property incorrectly recognised as Investment property - Gain on fair value adjustment of investment property	(38 000)	(38 000)
	Correction of 2011 reversal of land and buildings impairment loss - Reversal of impairment loss of Property, plant and equipment	(2 719 000)	(2 719 000)
	Correction of 2011 Investment property revaluation - Gain on fair value asjustments of Investment	(2 596 000)	(2 596 000)
	Correction if incorrect recognition of backlog depreciation on unbundled infrastructure acquired prior 2007 - Depreciation and amortisation	(740 910)	(740 910)
	Correction of community assets incorrectly overstated - Depreciation and amortisation	989	989
	Correction of community assets incorrectly overstated - Reversal of impairment loss of Property, plant and equipment	(17 871)	(17 871)
	Correction due to change in useful life of infrastructure previously incorrectly estimated - Depreciation and amortisation	59 694	59 694
	Correction of Intangible assets no longer in use incorrectly not written off - Loss on disposal of intangible assets	(3)	(3)
	Correction due to change in useful life of intangible assets previously incorrectly estimated - Depreciation and amortisation	(66 348)	(66 348)
	Correction of Payables not provided for - Note - 40.01	(3 358)	-
	Small corrections on input VAT claimed - Note 40.01	(984)	-
	Correction of Grant revenue - Note 40.05	174	-
	Total	**95 232 714**	**95 244 691**

KNYSNA MUNICIPALITY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

		Economic Entity		Knysna Municipality	
		2012	2011	2012	2011
41	**RECONCILIATION BETWEEN NET SURPLUS/(DEFICIT) FOR THE YEAR AND CASH GENERATED/(ABSORBED) BY OPERATIONS**	R	R	R	R
	Surplus/(Deficit) for the year	(154 210 985)	94 192 938	(153 700 925)	95 244 691
	Adjustments for:				
	Depreciation and amortisation	20 341 696	18 827 418	20 332 011	18 822 695
	(Gain)/Loss on disposal of property, plant and equipment	463 058	(1 002 782)	463 058	(1 002 782)
	Impairments	128 555 455	-	128 555 455	-
	Gain on Fair Value Adjustments of Investment Property	(27 353 000)	(15 704 000)	(27 353 000)	(15 704 000)
	Reversal of Impairment Losses of Property, Plant & Equipment	(5 182 388)	(33 437 394)	(5 182 388)	(33 437 394)
	Government Transfers - Contributed Assets	-	(823 000)	-	(823 000)
	Government Transfers recognised as revenue	(120 255 451)	(100 016 718)	(119 909 798)	(99 830 691)
	Government transfers received	118 015 709	103 590 450	118 015 709	101 385 314
	Public Transfers - Contributed Assets	(300 000)	-	(300 000)	-
	Fair Value Adjustments on Investment Properties	90 472 000	-	90 472 000	-
	Refinancing cost	-	595 170		595 170
	Contribution/(reduction) from/to provisions - Non-Current	956 945	3 434 587	956 945	3 434 587
	Contribution from/to Non-current provisions - expenditure incurred	(603 362)	(899 398)	(603 362)	(899 398)
	Contribution from/to employee benefits - non-current	8 701 697	7 282 655	8 701 697	7 282 655
	Contribution from/to employee benefits - non-current - expenditure incurred	(2 454 588)	(1 932 670)	(2 454 588)	(1 932 670)
	Contribution from/to employee benefits - non-current - actuarial losses	5 061 702	6 054 852	5 061 702	6 054 852
	Contribution from/to employee benefits - non-current - actuarial gains	(127 207)	-	(127 207)	-
	Contribution to employee benefits – current	2 266 083	2 972 021	2 266 083	2 972 021
	Contribution to employee benefits – current - expenditure incurred	(4 354 840)	(2 171 751)	(4 354 840)	(2 171 751)
	Contribution to provisions – bad debt	25 141 805	15 951 655	25 141 805	15 951 655
	Unamortised discount	(604 438)	(680 699)	(604 438)	(680 699)
	Bad debts written off	(3 515 315)	(7 329 989)	(3 515 315)	(7 329 989)
	Operating lease income accrued	(34 135)	(230 106)	(34 135)	(230 106)
	Operating lease expenses accrued	(61 966)	182 159	(60 940)	165 452
	Investment income	(6 719 210)	(5 914 526)	(6 667 005)	(5 914 526)
	Interest expense	16 685 997	17 193 358	16 685 997	17 193 358
	Operating Surplus/(Deficit) before changes in working capital	**90 885 262**	**100 134 229**	**91 784 521**	**99 145 445**
	Changes in working capital	(12 723 685)	1 775 320	(12 739 550)	2 030 035
	Increase/(Decrease) in Trade and Other Payables	9 756 646	10 232 008	9 564 395	10 791 697
	Increase/(Decrease) in Unspent Conditional Government Grants and Receipts (Restated 2011)	-	-	-	-
	Increase/(Decrease) in Unspent Public Contributions	(4 500)	4 500	(4 500)	4 500
	Increase/(Decrease) in Taxes	4 129 676	5 161 614	4 438 862	4 856 639
	(Increase)/Decrease in Inventory	(3 670 527)	(1 380 248)	(3 670 527)	(1 380 248)
	(Increase)/Decrease in Trade Receivables from exchange transactions	(12 185 786)	(9 579 725)	(12 185 786)	(9 579 725)
	(Increase)/Decrease in Other Receivables from non-exchange transactions	(10 749 193)	(2 662 829)	(10 881 994)	(2 662 829)
	(Increase)/Decrease in Unpaid Conditional Government Grants and Receipts (Restated 2011)	-	-	-	-
	Cash generated/(absorbed) by operations	**78 161 577**	**101 909 549**	**79 044 971**	**101 175 479**
42	**CASH AND CASH EQUIVALENTS**				
	Cash and cash equivalents included in the cash flow statement comprise the following:				
	Call Investments Deposits - Note 23	30 341 591	31 077 680	30 341 591	31 077 680
	Cash Floats - Note 23	12 859	13 531	12 270	12 270
	Bank - Note 23	27 076 286	28 437 180	25 148 942	26 218 630
	Total cash and cash equivalents (including Discontinued Operations)	**57 430 735**	**59 528 390**	**55 502 803**	**57 308 580**
43	**RECONCILIATION OF AVAILABLE CASH AND INVESTMENT RESOURCES (including Discontinued Opeartions)**				
	Cash and Cash Equivalents - Note 42	57 430 735	59 528 390	55 502 803	57 308 580
	Investments - Note 17	17 384 653	15 458 167	17 384 653	15 458 167
		74 815 388	74 986 557	72 887 456	72 766 746
	Less:	48 073 592	54 249 283	46 400 137	52 230 175
	Unspent Committed Conditional Grants - Note 10	3 810 460	7 652 709	2 137 005	5 633 600
	Unspent Conditional Public Contributions - Note 11	-	4 500	-	4 500
	Unspent Borrowings - Note 44	17 242 505	21 699 847	17 242 505	21 699 847
	Cash Portion of Housing Development Fund - Note 2	1 831 038	2 057 688	1 831 038	2 057 688
	Secured Investments - Notes 3 and 17	25 189 589	22 834 540	25 189 589	22 834 540
	Taxes - Note 12	-	304 974	-	-
	Net cash resources available for internal distribution	**26 741 796**	**20 737 274**	**26 487 319**	**20 536 572**
	Allocated to:				
	Capital Replacement Reserve - Note 2	(4 692 214)	(5 199 523)	(4 692 214)	(5 199 523)
	Employee Benefits Reserve - Note 2	(6 153 045)	(5 242 645)	(6 153 045)	(5 242 645)
	Non-Current Provisions Reserve - Note 2	(3 418 794)	(4 656 176)	(3 418 794)	(4 656 176)
	Valuation Roll Reserve - Note 2	(412 000)	-	(412 000)	-
	Resources available (shortfall) for woking capital requirements	**12 065 742**	**5 638 929**	**11 811 266**	**5 438 227**
44	**UTILISATION OF LONG-TERM LIABILITIES RECONCILIATION**				
	Long-term Liabilities - Note 3	164 667 412	173 542 503	164 667 412	173 542 503
	Used to finance property, plant and equipment - at cost	(147 424 907)	(151 842 655)	(147 424 907)	(151 842 655)
		17 242 505	21 699 848	17 242 505	21 699 848
	Cash set aside for the unspent portion of long-term liabilities - Note 43	(17 242 505)	(21 699 848)	(17 242 505)	(21 699 848)
	Cash invested for repayment of long-term liabilities	**-**	**-**	**-**	**-**

Long-term liabilities have been utilised in accordance with the Municipal Finance Management Act. The Annuity Loans carry interest of between 8,65% and 17% and will be repaid by 2030

KNYSNA MUNICIPALITY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

45 BUDGET COMPARISONS

Economic Entity (including Discontinued Operations)	2012 R (Actual)	2012 R (Budget)	2012 R (Variance)	2012 (%)
45.1 Operational				
Revenue by source				
Property Rates	125 364 197	125 631 000	(266 803)	(0%)
Government Grants and Subsidies - Capital	30 678 919	32 889 000	(2 210 081)	(7%)
Government Grants and Subsidies - Operating	89 576 532	95 554 107	(5 977 575)	(6%)
Augmentation Fees	808 126	1 038 000	(229 874)	(22%)
Public Contributions and Donations	776 640	477 000	299 640	63%
Third Party Payments	1 140 545	-	1 140 545	100%
Fines	7 677 243	3 162 000	4 515 243	143%
Stock Adjustments	116 508	23 000	93 508	407%
Actuarial Gains	127 207	589 000	(461 793)	(78%)
Reversal of Impairment Losses	27 353 000	-	27 353 000	100%
Other non-exchange revenue	1 024 179	808 000	216 179	27%
Property Rates - penalties imposed and collection charges	2 356 484	1 772 000	584 484	33%
Service Charges	226 548 838	225 680 000	868 838	0%
Rental of Facilities and Equipment	3 500 055	4 853 000	(1 352 945)	(28%)
Interest Earned - external investments	6 719 210	6 813 743	(94 533)	(1%)
Interest Earned - outstanding debtors	4 550 920	3 683 000	867 920	24%
Licences and Permits	1 843 007	1 787 000	56 007	3%
Agency Services	1 773 945	1 698 000	75 945	4%
Other Income	1 524 171	1 318 000	206 171	16%
Gain on disposal of PPE / Investment Property	43 027	166 000	(122 973)	(74%)
Reversal of Impairment Losses of Property, Plant & Equipment	5 182 388	-	5 182 388	100%
Unamortised discount - Interest	612 740	719 000	(106 260)	(15%)
	539 297 880	508 660 850	30 637 030	**6%**
Expenditure by nature				
Employee related costs	(139 730 413)	(140 053 015)	322 602	(0%)
Remuneration of Councillors	(5 619 224)	(5 778 610)	159 386	(3%)
Remuneration of Directors of Knysna Economic Development Agency	-	(55 900)	55 900	(100%)
Debt Impairment	(24 631 745)	(13 430 040)	(11 201 705)	83%
Collection Cost	(388 739)	(346 480)	(42 259)	12%
Depreciation and Amortisation	(20 341 696)	(21 913 514)	1 571 818	(7%)
Impairments	(128 574 813)	(163 450)	(128 411 363)	78563%
Repairs and Maintenance	(22 025 163)	(27 114 890)	5 089 727	(19%)
Actuarial losses	(5 061 702)	(1 000 000)	(4 061 702)	406%
Finance Charges	(16 685 997)	(16 032 630)	(653 367)	4%
Unamortised discount - Interest	(8 302)	(10 640)	2 338	(22%)
Bulk Purchases	(107 647 419)	(101 146 030)	(6 501 389)	6%
Contracted services	(15 362 958)	(13 415 400)	(1 947 558)	15%
Grants and Subsidies Paid	(5 783 606)	(5 871 300)	87 694	(1%)
Stock Adjustments	-	-	-	0%
Other Operating Grant Expenditure	(53 564 343)	(56 625 000)	3 060 657	(5%)
Loss on Fair Value Adjustments of Land and Buildings and Investment Properties	(90 472 000)	-	(90 472 000)	100%
Loss on disposal of PPE / Investment Property	(505 581)	-	(505 581)	100%
General Expenses	(56 595 104)	(66 815 646)	10 220 542	(15%)
	(692 998 805)	(469 772 545)	(223 226 260)	**48%**
Net Surplus for the year	**(153 700 925)**	**38 888 305**	**(192 589 230)**	**(495%)**

Knysna Municipality	2012 R (Actual)	2012 R (Budget)	2012 R (Variance)	2012 (%)
Operational				
Revenue by source				
Property Rates	125 364 197	125 631 000	(266 803)	(0%)
Government Grants and Subsidies - Capital	30 678 919	32 889 000	(2 210 081)	(7%)
Government Grants and Subsidies - Operating	89 230 879	93 471 000	(4 240 121)	(5%)
Augmentation Fees	808 126	1 038 000	(229 874)	(22%)
Public Contributions and Donations	776 640	477 000	299 640	63%
Third Party Payments	1 140 545	-	1 140 545	100%
Fines	7 677 243	3 162 000	4 515 243	143%
Stock Adjustments	116 508	23 000	93 508	407%
Actuarial Gains	127 207	589 000	(461 793)	(78%)
Reversal of Impairment Losses	32 013 000	-	32 013 000	100%
Other non-exchange revenue	1 024 179	808 000	216 179	27%
Property Rates - penalties imposed and collection charges	2 356 484	1 772 000	584 484	33%
Service Charges	226 548 838	225 680 000	868 838	0%
Rental of Facilities and Equipment	3 500 055	4 853 000	(1 352 945)	(28%)
Interest Earned - external investments	6 667 005	6 786 000	(118 995)	(2%)
Interest Earned - outstanding debtors	4 550 920	3 683 000	867 920	24%
Licences and Permits	1 843 007	1 787 000	56 007	3%
Agency Services	1 773 945	1 698 000	75 945	4%
Other Income	1 524 171	1 318 000	206 171	16%
Gain on disposal of PPE / Investment Property	43 027	166 000	(122 973)	(74%)
Reversal of Impairment Losses of Property, Plant & Equipment	5 182 388	-	5 182 388	100%
Unamortised discount - Interest	612 740	719 000	(106 260)	(15%)
	543 560 023	506 550 000	37 010 023	**7%**

KNYSNA MUNICIPALITY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

45 BUDGET COMPARISONS (CONTINUED)

Knysna Municipality	2012 R (Actual)	2012 R (Budget)	2012 R (Variance)	2012 (%)
Operational				
Expenditure by nature				
Employee related costs	(139 414 290)	(139 299 560)	(114 730)	0%
Remuneration of Councillors	(5 619 224)	(5 778 610)	159 386	(3%)
Debt Impairment	(25 171 056)	(13 430 040)	(11 741 016)	87%
Collection Cost	(388 739)	(346 480)	(42 259)	12%
Depreciation and Amortisation	(20 332 011)	(21 890 000)	1 557 989	(7%)
Impairments	(128 574 813)	(163 450)	(128 411 363)	78563%
Repairs and Maintenance	(22 025 163)	(27 114 890)	5 089 727	(19%)
Actuarial losses	(5 061 702)	(1 000 000)	(4 061 702)	406%
Finance Charges	(16 069 559)	(16 032 630)	(36 929)	0%
Unamortised discount - Interest	(8 302)	(10 640)	2 338	(22%)
Bulk Purchases	(107 647 419)	(101 146 030)	(6 501 389)	6%
Contracted services	(15 619 958)	(13 415 400)	(2 204 558)	16%
Grants and Subsidies Paid	(5 783 606)	(5 871 300)	87 694	(1%)
Stock Adjustments	-	-	-	0%
Other Operating Grant Expenditure	(53 564 343)	(56 625 000)	3 060 657	(5%)
Loss on Fair Value Adjustments of Land and Buildings and Investment Properties	(94 634 000)	-	(94 634 000)	100%
Loss on disposal of PPE / Investment Property	(505 581)	-	(505 581)	100%
General Expenses	(57 453 272)	(65 109 970)	7 656 698	(12%)
	(697 873 038)	(467 234 000)	(230 639 038)	**49%**
Net Surplus for the year	**(154 313 015)**	**39 316 000**	**(193 629 015)**	**(492%)**

Details of material variances

Revenue by source

Explanations of variances on Revenue by Source are only provided where the variance is less than R 1 million against the budget and the variance percentage is greater than 10% or where the variance is greater than R 4 million and the variance percentage is greater than 10%.

Rental of Facilities and Equipment: (R 1 352 945)	(28%)	-	The most significant under recovery of revenue was realised on rental of land and buildings (R1,3 million).
Fines: R 4 515 243	143%	-	The municipality signed an agreement with an external service provider to implement traffic calming measures by means of traffic cameras
Reversal of Impairment Losses: R 27 353 000 and Reversal of Impairment Losses of Property, Plant & Equipment R 5 182 388	100%	-	Revaluation of municipal land and buildings (held as investment property and used in property, plant and equipment) in line with changes in market conditions resulted in the municipality recognising increases in the values of some properties. No budget provision was made for the impact of fair value adjustments.

Expenditure by type

Explanations of variances on Expenditure by Type are only provided where the value is R 4 million more or less than the budget AND the variance precentage is greater than 10%.

Debt Impairment: (R 11 201 705)	83%	-	The main variance on Debt Impairments relates to the impairment of Consumer Debtors (R 11,9 million). The budget was formulated to reflect the difference in the projected revenue and the cash to be realised from these billings. Due to the continued effects of current economic conditions, the municipality has taken a more stringent approach to assessing and providing for possible bad debt.
Impairments: (R 128 411 363)	78563%	-	Revaluation of municipal land and buildings (held as investment property and used in property, plant and equipment) in line with changes in market conditions resulted in the municipality recognising decreases in the values of some properties. No budget provision was made for the impact of fair value adjustments.
Repairs and Maintenance: R 5 089 727	(19%)	-	The most significant under-expenditures or savings were realised on electricity infrastructure (R1,8 million); streets general repairs, regraveling and resealing (R1,5 million) and vehicles (R0,7 million).
Actuarial losses: (R 4 061 702)	406%	-	Movements in the liabilities for non-current employee benefits, which includes post-employment health care benefits, long service awards and ex-gratia pensions, result from increases or decreases in the liability over the period from the previous valuation date to the current valuation date. For the current period unexpected decreases (termed actuarial losses) occured due to the following factors: decrease in the net discount rate; contributions, pension increases and salary increase higher than assumed; actual benefit payments higher than expected; and changes in the membership profile.
General Expenses: R 10 220 542	(15%)	-	The most significant under-expenditures or savings were realised on hire charges of office equipment (R1,5 million); licence fees on computer software (R1,1 million); council contribution to housing top structures (R1,5 million); valuation expenses (R2,7 million)

Economic Entity	2012 R (Actual)	2012 R (Budget)	2012 R (Variance)	2012 (%)
45.2 Expenditure by Vote				
Exec & Council	253 581 269	32 526 785	221 054 484	680%
Corporate	11 169 750	13 518 180	(2 348 430)	(17%)
Finance	9 210 191	14 577 190	(5 366 999)	(37%)
Planning	68 212 365	74 419 600	(6 207 235)	(8%)
Community	87 044 350	80 801 970	6 242 380	8%
Electricity	148 726 170	146 070 580	2 655 590	2%
Technical	115 564 771	107 859 240	7 705 531	7%
	693 508 866	**469 773 545**	**223 735 321**	**48%**

KNYSNA MUNICIPALITY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

Knysna Municipality

Expenditure by Vote

Exec & Council	252 673 350	29 987 240	222 686 110	743%
Corporate	11 169 750	13 518 180	(2 348 430)	(17%)
Finance	9 210 191	14 577 190	(5 366 999)	(37%)
Planning	68 212 365	74 419 600	(6 207 235)	(8%)
Community	87 044 350	80 801 970	6 242 380	8%
Electricity	148 726 170	146 070 580	2 655 590	2%
Technical	115 564 771	107 859 240	7 705 531	7%
	692 600 947	**467 234 000**	**225 366 947**	**48%**

Details of material variances

Explanations of variances by Vote are only provided where a vote is over spent or where the variance value is R 1 million less than budget and the variance precentage is greater than 10%.

Exec & Council: R 221 054 484	680%	-	The full amounts for Actuarial Losses (R4 million) and Fair Value Adjustments resulting in Impairments (R223 million) was expensed against Executive and Council for the period.
Corporate: (R 2 348 430)	(17%)	-	General expenses are underspent or realised a saving (R1,4 million), whilst the grant from EDEN for the the Intern Program (R0,5 million) was never realised so all expenditure was incurred against employee benefits.
Finance: (R 5 366 999)	(37%)	-	The main categories of savings and/or under-expenditure was for general expenses (R4 million) with variances on budget for the following items: hire charges of office equipment (R0,3 million), computer licences (R1,4 million), valuation expenses (R2,5 million); and a savings on outsourced services (R0,4 million).
Planning: (R 6 207 235)	(8%)	-	The main categories of savings and/or under-expenditure were depreciation (R1,8 million), council contribution towards top structures on housing projects (R2 million) and operating grant expenditure on housing projects (R2,3 million). It should be noted however that the Informal Housing and Human Settlements amounts received from Provincial Government were fully utilised during the financial year.
Community: R 6 242 380	8%	-	The main categories of over-expenditure against budget were for impairment of debtors (R4,5 million), contributions to provisions for eradication of alien vegetation (R1,6 million) and for commissions paid to the service provider for implementation of the traffic cameras (R1,3 million).
Electricity: R 2 655 590	2%	-	Over expenditure on bulk purchases (R6,6 million) and outsourced services for management of the prepaid metering system (R1,2 million) were ofset by savings on impairment of consumer debtors (R2,6 million) and repairs and maintenance (R2,7 million).
Technical: R 7 705 531	7%	-	Over expenditure on impairment of consumer debtors (R9,6 million) was ofset by savings on repairs and maintenance (R2,4 million).

Economic Entity

	2012 R (Actual)	2012 R (Budget)	2012 R (Variance)	2012 (%)
45.3 Capital expenditure by vote				
Executive & Council	1 066 903	2 565 000	(1 498 097)	(58%)
Corporate	240 013	255 000	(14 987)	(6%)
Finance	2 801 401	5 990 000	(3 188 599)	(53%)
Planning	14 644 047	14 352 000	292 047	2%
Community	2 599 151	5 676 000	(3 076 849)	(54%)
Electricity	13 110 395	19 942 100	(6 831 705)	(34%)
Technical	25 855 935	36 639 900	(10 783 965)	(29%)
	60 317 845	**85 420 000**	**(25 102 155)**	**(29%)**

Knysna Municipality

45.4 Capital expenditure by vote			
Executive & Council	1 066 903	2 565 000	(1 498 097)	(58%)
Corporate	240 013	255 000	(14 987)	(6%)
Finance	2 801 401	5 990 000	(3 188 599)	(53%)
Planning	14 644 047	14 352 000	292 047	2%
Community	2 599 151	5 676 000	(3 076 849)	(54%)
Electricity	13 110 395	19 942 100	(6 831 705)	(34%)
Technical	25 855 935	36 639 900	(10 783 965)	(29%)
	60 317 845	**85 420 000**	**(25 102 155)**	**(29%)**

Details of material variances

Executive & Council: (R 1 498 097)	(58%)	-	An under expenditure of R1,3 million occurred on the ward based projects. However R 727 000 of this was identified as roll over projects and reappropriated in the budget approved for 2012/2013 and R 275 221 of projects were deemed to be operating of nature and recognised in the statement of financial performance for 2011/2012.
Finance: (R 3 188 599)	(53%)		The main under expenditure is as a result of project delays and complexities on the upgrade to the main municipal stores in the industrial area (R2,4 million). A roll over amount of R 2,2 million was appropriated in the approval of the 2012/2013 budget with regard to this project.
Planning: R 292 047	2%		The over expenditure relates to electricity connections to completed housing units built as part of the Informal Housing and Human Settlements program.
Community: (R 3 076 849)	(54%)		The main under expenditure is for the upgrade to the main library in Knysna town central (R2,6 million). This is a MIG funded project and is now scheduled for commencement in 2012/2013.
Electricity: (R 6 825 972)	(34%)		The main under expenditure is related to the Incomer Transformer for Sedgefield (R2,7 million) and for continued asset replacement and refurbishments (R3,8 million) funded from the capital replacement reserve. A roll over amount of R6,5 was appropriated in the approval of the 2012/2013 budget with regard to these projects.
Technical: (R 10 783 965)	(29%)		The main under expenditure is for the belt press required as part of the upgrade to the sewerage works in Knysna (R8,2 million) which was approved in the February 2012 adjustment budget. A roll over of R6 million was appropriated in the approval of the 2012/2013 budget, the balance of the unspent amount will be appropriated in the adjustment budget of February 2013.

KNYSNA MUNICIPALITY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

		Economic Entity		Knysna Municipality	
		2012	2011	2012	2011
46	**UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE DISALLOWED**	R	R	R	R
46.1	**Unauthorised expenditure**				
	Reconciliation of unauthorised expenditure:				
	Opening balance	7 157 205	-	7 157 205	-
	Unauthorised expenditure current year - capital	292 047	4 344 336	292 047	4 344 336
	Unauthorised expenditure current year - operating	237 657 985	2 812 869	239 289 611	2 812 869
	Unauthorised expenditure awaiting authorisation	**245 107 237**	**7 157 205**	**246 738 864**	**7 157 205**

Incident	Disciplinary steps/criminal proceedings
Over expenditure of approved budget per Vote - See Note 45	*None*

46.2	**Fruitless and wasteful expenditure**				
	Reconciliation of fruitless and wasteful expenditure:				
	Opening balance	325 859	18 759	325 859	18 759
	Fruitless and wasteful expenditure current year	194 361	307 100	194 361	307 100
	Fruitless expenditure recovered	(206 196)	-	(206 196)	-
	Fruitless and wasteful expenditure awaiting condonement	**314 024**	**325 859**	**314 024**	**325 859**

Incident	Disciplinary steps/criminal proceedings
Fraudulant cheque no. 89485 dated 26/02/2010 banked at FNB Galleria and cleared by Nedbank on 09/03/2010. Replacement reissued to settle creditors account. Reported to Knysna SAP Case No. 658/4/2010 - R18 759	None
Cancellation of international air tickets to Denmark - R16 518 - 2010/2011	None
Penalty interest on lost cheque between banks - R275 - 2010/2011	None
Penalty interest on two payments to SARS: One for a late payment and the other for a late payment due to cheque being lost in the post - R110 807 - 2010/2011	None
Pipeline damaged by developer and the municipality repaired it without claiming damages - R36 816 - 2010/2011	None
Penalty interest on payments not made to the Compensation Commissioner for Occupational Injuries and Diseases since no assessments had been received since 2006 - R142 683 - 2010/2011	None
Penalty interest on late payment of creditor accounts - R 2 486 - 2011/2012	None
Penalty interest on late payment of external loan repayment - R 3 577 - 2011/2012	None
Penalty interest paid to SARS in respect of prior periods PAYE submissions - R 188 298 - 2011/2012	None
Recoveries	
The recovery made in 2011/2012 is in respect of SARS late payments where SARS had refunded the interest paid.	

46.3	**Irregular expenditure**				
	Reconciliation of irregular expenditure:				
	Opening balance	-	-	-	-
	Irregular expenditure current year				
	Awards to persons in the service of the state	222 667	-	222 667	-
	Declarations of interest by winning providers not submitted	273 566	-	273 566	-
	National Treasury approval of departure from treasury regulation (MFMA s170(1))	-	-	-	-
	Condoned or written off by Council	-	-	-	-
	Transfer to receivables for recovery - not condoned	-	-	-	-
	Irregular expenditure awaiting approval	**496 233**	**-**	**496 233**	**-**
46.4	**Material Losses**				
	Electricity distribution losses				
	Units purchased (Mwh)	187 162	190 754	187 162	190 754
	- Units lost during distribution (Mwh)	16 315	13 105	16 315	13 105
	- Percentage lost during distribution	8.72%	6.87%	8.72%	6.87%
	Water distribution losses				
	- Mega litres purified	4 080	3 869	4 080	3 869
	- Mega litres lost during distribution	588	702	588	702
	- Percentage lost during distribution	14.41%	18.15%	14.41%	18.15%
47.1	**Contributions to organised local government - [MFMA 125 (1)] - SALGA CONTRIBUTIONS**				
	Opening balance	-	-	-	-
	Council subscriptions	957 696	568 763	957 696	568 763
	Amount paid - current year	(684 069)	(568 763)	(684 069)	(568 763)
	Balance unpaid (included in creditors)	**273 627**	**-**	**273 627**	**-**
47.2	**Audit fees - [MFMA 125 (1)]**				
	Opening balance	-	-	-	-
	Current year audit fee	3 221 419	2 335 110	3 221 419	2 335 110
	External Audit - Auditor-General	2 042 485	2 038 921	2 042 485	2 038 921
	Internal Audit	1 026 294	143 549	1 026 294	143 549
	Audit Committee	152 640	152 640	152 640	152 640
	Amount paid - current year	(3 221 419)	(2 335 110)	(3 221 419)	(2 335 110)
	Balance unpaid (included in creditors)	**-**	**-**	**-**	**-**

KNYSNA MUNICIPALITY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

		Economic Entity		Knysna Municipality	
		2012	2011	2012	2011
47	ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT (CONT)	R	R	R	R
47.3	**VAT - [MFMA 125 (1)]**				
	Opening balance	4 026 300	11 004 278	4 331 275	11 004 278
	Amounts received - previous year	(3 223 218)	(8 293 625)	(3 223 218)	(8 293 625)
	Amounts received - current year	(38 928 299)	(31 690 905)	(38 928 299)	(31 385 931)
	Amounts claimed - current year	38 180 729	29 544 766	38 179 746	29 849 741
	Amount paid - current year	303 991	3 593 621		3 593 621
	Corrections	(22 191)	(436 809)	(22 191)	(436 809)
	Closing balance	**337 312**	**3 721 326**	**337 313**	**4 331 275**
	Vat inputs receivables and Vat outputs payables are shown in Note 12 All VAT returns have been submitted by the due date throughout the year.				
	Vat in suspense due to cash basis of treatment (Restated 2010/2011)	**1 216 113**	**(516 882)**	**1 216 113**	**(516 882)**
47.4	**PAYE and UIF - [MFMA 125 (1)]**				
	Opening balance	7 825	(11 197)	(6 295)	(11 197)
	Current year payroll deductions and Council Contributions	(15 523 123)	(13 744 121)	(15 599 597)	(13 814 929)
	Amount paid - current year	15 509 485	13 763 144	15 600 079	13 819 831
	Balance unpaid (included in creditors)	**(5 812)**	**7 825**	**(5 812)**	**(6 295)**
47.5	**Pension and Medical Aid Deductions - [MFMA 125 (1)]**				
	Opening balance	-	-	-	-
	Current year payroll deductions and Council Contributions	(32 496 793)	(30 052 626)	(32 496 793)	(30 052 626)
	Amount paid - current year	32 496 793	30 052 626	32 496 793	30 052 626
	Balance unpaid (included in creditors)	**-**	**-**	**-**	**-**

47.6 Councillor's arrear consumer accounts - [MFMA 124 (1)]

The following Councillors had arrear accounts for more than 90 days as at 30 June:

	2012 R Outstanding more than 90 days	2011 R Outstanding more than 90 days
Dyantyi M	-	4 316
Lizwani M	3 710	4 767
Gombo E	5 592	1 394
Van Aswegen EO	4 070	10 532
Williams M	-	29
Total Councillor Arrear Consumer Accounts	**13 372**	**21 038**

47.7 The following Councillors had arrear accounts outstanding for more than 90 days during the year.

Currently in office	Highest amount outstanding	Ageing	Month
Lizwani M	3 710	>150 days	Jun 2012
Van Aswegen EO	5 592	>150 days	Jun 2012
Gombo E	4 070	>150 days	Jun 2012
Williams M	-		

		Economic Entity		Knysna Municipality	
		2012	2011	2012	2011
47	ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT (CONT)	R	R	R	R

47.8 Quotations awarded - Supply Chain Management

Deviations from the Supply Chain Management Regulations were identified on the following categories:

	Less than R30,000	Between R30,001 and R200,000	Between R200,001 and R2,000,000	More than R2,000,001
Inventory	4 253 196	601 572	352 854	-
Executive & Council	319 640	439 147	-	-
Corporate Services	241 845	579 556	678 202	-
Community Services	1 019 180	492 898	-	-
Financial Services	223 027	214 754	-	-
Technical Services	2 363 869	3 126 997	2 140 460	-
Electrical Services	1 691 694	1 592 522	255 000	-
Planning & Development	273 074	712 899	-	-
	10 385 525	7 760 345	3 426 516	-

KNYSNA MUNICIPALITY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

47 ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT (CONT)

The major deviations above R30,000 were as follows:

Awarded to	Reason/Explanation	Amount
Aurecon SA Pty (Consultants)	Continuation of work already done - downstreaming ie. single source selection in terms of NT guidelines- Further investigations into potential water schemes	1 463 773
SSI Engineers Pty Ltd (Consultants)	Continuation of work already done - downstreaming ie. single source selection in terms of NT guidelines - Continue work on Desalination plant & updating of water & sewerage master plan originally done by them	998 637
Clinkscales Maugh-Brown (Consultants)	Continuation of work already done - downstreaming ie. single source selection in terms of NT guidelines	885 809
University of Stellenbosch	Sole supplier only public higher education in the Western Cape	678 202
Southern Oceanering CC	Insurance claim re the desalination plant	571 330
Parsons & Associates	Urgent as result of the failure of the desalination plant to restore water supply	473 196
Much Asphalt Pty Ltd	Sole supplier of Bitumen products in the Southern Cape	407 591
Neptune Plant Hire	Hire of generators as result of Eskom power outage - urgent	358 771
MDL Electrical	Urgent as result of open trenches to prevent cable theft	352 854
	TOTAL	**6 190 163**

47.9 Other non-compliance (MFMA 125(2)(e))

The table below contains a list of all the other sections with reasons for non-compliance for Knysna Economic Development Agency

Section	Short description of requirement	Reason for non-compliance
Sect 86 (1)	Submit in writing the bank account details to parent municipality within 90 days after opening the bank account.	Entity was still in pre-establishment phase and was not knowledgeable of the MFMA requirements
Sect 87(11)	Submit within 7 working days after month end a budget statement to parent municipality in the prescribe format.	Not all reports were submitted in time
Sect 88(1)	Submit a Mid-year Budget & Performance Assessment report by the 20th January.	No report was preapare except the Monthly budget statement
Sect 88(2)	Make public the Mid-year budget and performance assessment report.	Same as Sect 88(1)
Sect 95 (c)	Accounting officer ensure and maintain systems of Risk management and Internal control.	Entity was still basically in pre-establishment phase and therefore no risk assessment was performed.

	Economic Entity		Knysna Municipality	
	2012	2011	2012	2011
48 CAPITAL COMMITMENTS	R	R	R	R
Commitments in respect of capital expenditure:				
Approved and contracted for:	16 346 848	11 590 329	16 346 848	11 590 329
Land and Buildings	10 335	-	10 335	
Infrastructure	8 094 088	11 080 208	8 094 088	11 080 208
Community	8 242 425	510 121	8 242 425	510 121
Total	**16 346 848**	**11 590 329**	**16 346 848**	**11 590 329**
This expenditure will be financed from:				
External Loans	1 900 476	3 125 095	1 900 476	3 125 095
Capital Replacement Reserve	146 091	-	146 091	
Government Grants	14 049 207	8 465 234	14 049 207	8 465 234
Own Resources	251 075	-	251 075	-
	16 346 848	**11 590 329**	**16 346 848**	**11 590 329**

KNYSNA MUNICIPALITY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

49 RETIREMENT BENEFIT INFORMATION

Both the Cape Joint Pension Fund and Cape Retirement Fund are multi-employer plans. This means that there are multiple local authorities that participate in these funds. I n terms of GRAP 25, multi-employer plans are defined as defined benefit plans. G RAP 25 also states that when sufficient information is not available to use defined benefit accounting for a multi-employer plan, an entity will account for the plan as if it were a defined contribution plan.

The Municipality requested detailed employee and pensioner information as well as information on the Municipality's share of the Pension and Retirement Funds' assets from the fund administrator. The fund administrator confirmed that assets of the Pension and Retirement Funds are not split per participating employer. Therefore, the Municipality is unable to determine the value of the plan assets as defined in GRAP 25.

As part of the Municipality's process to value the defined benefit liabilities, the Municipality requested pensioner data from the fund administrator. The fund administrator claims that the pensioner data is confidential and was not willing to share the information with the Municipality. Without detailed pensioner data the Municipality was unable to calculate a reliable estimate of the accrued liability in respect of pensioners who qualify for a defined benefit pension.

Therefore, although the Cape Joint Retirement Fund is a Multi Employer fund defined as a defined benefit plan, it will be accounted for as a defined contribution plan. All the required disclosure have been made as defined in GRAP 25.31.

CAPE RETIREMENT FUND

The contribution rate payable is 9% by members and 18% by Council. The last actuarial valuation performed for the year ended 30 June 2011 revealed that the fund is in a sound financial position with a funding level of 116.9% (30 June 2010 - 100.3%).

CAPE JOINT PENSION FUND

The contribution rate payable is 9% by members and 18% by Council. The last actuarial valuation performed for the year ended 30 June 2011 revealed that the fund is in sound financial position with a funding level of 98.10% (30 June 2010 - 100%). Actuarial valuations also determined that there was a shortfall in the investment return for the 30 June 2011 financial year.

DEFINED CONTRIBUTION FUNDS

Council contribute to the Municipal Council Pension Fund, SALA Pension Fund and SAMWU National Provident Fund which are defined contribution funds. The retirement benefit fund is subject to the Pension Fund Act, 1956, with pensions being calculated on the pensionable remuneration paid. Current contributions by Council are charged against expenditure on the basis of current service costs.

The activities of the municipality expose it to a variety of financial risks, including market risk (comprising fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The municipality's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the municipality's financial performance.

(a) Foreign Exchange Currency Risk

The municipality entered into a contract for the purchase of Windows software systems for a period of 3 years, denominated in US currency. The municipality does not foresee any significant currency risks related to the transaction and is of the opinion that the benefits of the transaction exceeds the risks attached to the transaction.

(b) Price risk

The municipality is not exposed to price risk.

(c) Interest Rate Risk

The Municipality is exposed to interest rate risk due to the movements in long-term and short term interest rates.

This risk is managed on an ongoing basis.

As the municipality has significant interest-bearing liabilities, the entity's income and operating cash flows are substantially dependent on changes in market interest rates.

The municipality did not hedge against any interest rate risks during the current year.

	Economic Entity		Knysna Municipality	
	2012 R	2011 R	2012 R	2011 R
The potential impact on the entity's surplus/deficit for the year due to changes in interest rates were as follow:				
1% (2011 - 0.5%) Increase in interest rates	(1 244 401)	(1 224 001)	(1 263 674)	(1 235 094)
0.5% (2011 - 0.5%) Decrease in interest rates	622 200	606 454	631 837	617 547

KNYSNA MUNICIPALITY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

50 FINANCIAL RISK MANAGEMENT (CONTINUED)

(d) Credit Risk

Credit risk is the risk that a counter party to a financial or non-financial asset will fail to discharge an obligation and cause the Municipality to incur financial loss.

Credit risk arises mainly from cash and cash equivalents, instruments and deposits with banks and financial institutions, as well as credit exposures to consumer and grant debtors.

For banks and financial institutions, only independently rated parties with a minimum rating of 'A' are accepted. Grants are receivable from higher order levels of government. In the case of consumer debtors the municipality effectively has the right to terminate services to customers but in practice this is difficult to apply. This increases the credit risk in respect of consumer debtors. The risk of non-payment is managed on an ongoing basis and where practical, services are terminated and procedures applied to recover outstanding amounts owing and an appropriate level of impairment provision for default is maintained.

Credit risk consist mainly of cash deposits, cash equivalents, trade and other receivables and unpaid conditional grants and subsidies.

Trade and other debtors are disclosed net after provisions are made for impairment and bad debts. Trade debtors comprise of a large number of ratepayers, dispersed across different sectors and geographical areas. Ongoing credit evaluations are performed on the financial condition of these debtors. Credit risk pertaining to trade and other debtors is considered to be moderate due the diversified nature of debtors and immaterial nature of individual balances. In the case of consumer debtors the municipality effectively has the right to terminate services to customers but in practice this is difficult to apply. In the case of debtors whose accounts become in arrears, Council endeavours to collect such accounts by "levying of penalty charges", "demand for payment", "restriction of services" and, as a last resort, "handed over for collection", whichever procedure is applicable in terms of Council's Credit Control and Debt Collection Policy.

All rates and services are payable within 30 days from invoice date. Refer to note 20 for all balances outstanding longer than 30 days. These balances represent all debtors at year end which defaulted on their credit terms. Also refer to note 20 for balances included in receivables that were re-negotiated for the period under review.

No trade and other receivables are pledged as security for financial liabilities.

Due to the short term nature of trade and other receivables the carrying value disclosed in note 20 of the financial statements is an approximation of its fair value. Interest on overdue balances are included at prime lending rate plus 1% where applicable.

The provision for bad debts could be allocated between the different classes of debtors as follows:

Economic Entity	**2012 %**	**2012 R**	**2011 %**	**2011 R**
Electricity	7.59%	4 540 633	5.41%	1 980 302
Water	31.10%	18 602 766	32.89%	12 033 697
Housing Rentals	3.82%	2 282 115	4.38%	1 602 970
Refuse	20.27%	12 125 287	13.82%	5 057 588
Sewerage	14.39%	8 610 682	12.69%	4 640 752
Other Consumer Arrears	0.10%	58 315	6.44%	2 356 027
Rates	22.73%	13 599 409	24.36%	8 912 908
	100.00%	59 819 208	100.00%	36 584 244

Knysna Municipality	**2012 %**	**2012 R**	**2011 %**	**2011 R**
Electricity	7.59%	4 540 633	5.41%	1 980 302
Water	31.10%	18 602 766	32.89%	12 033 697
Housing Rentals	3.82%	2 282 115	4.38%	1 602 970
Refuse	20.27%	12 125 287	13.82%	5 057 588
Sewerage	14.39%	8 610 682	12.69%	4 640 752
Other Consumer Arrears	0.10%	58 315	6.44%	2 356 027
Rates	22.73%	13 599 409	24.36%	8 912 908
	100.00%	59 819 208	100.00%	36 584 244

The entity only deposits cash with major banks with high quality credit standing. No cash and cash equivalents were pledged as security for financial liabilities and no restrictions were placed on the use of any cash and cash equivalents for the period under review. Although the credit risk pertaining to cash and cash equivalents are considered to be low, the maximum exposure are disclosed below.
The risk pertaining to unpaid conditional grants and subsidies are considered to be very low. Amounts are receivable from national and provincial government and there is no expectation of counter party default.

Long-term Receivables and Other Debtors are individually evaluated annually at reporting date for impairment or discounting. A report on the various categories of debtors is drafted to substantiate such evaluation and subsequent impairment / discounting, where applicable.

KNYSNA MUNICIPALITY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

50 FINANCIAL RISK MANAGEMENT (CONTINUED)

	Economic Entity		Knysna Municipality	
	2012 R	2011 R	2012 R	2011 R
The maximum credit and interest risk exposures in respect of the relevant financial instruments are as follows:				
Fixed Deposit Investments	17 384 653	15 458 167	17 384 653	15 458 167
Long Term Receivables	835 103	530 207	835 103	530 207
Receivables from exchange transactions	36 699 619	43 062 296	36 699 619	43 062 296
Short Term Investment Deposits	30 341 591	31 077 680	30 341 591	31 077 680
Bank and Cash Balances	27 089 144	28 450 710	25 161 212	26 230 900
	112 350 109	118 579 060	110 422 177	116 359 249

(e) Liquidity Risk

Liquidity risk is the risk that the municipality will encounter difficulty in raising funds to meet commitments associated with financial liabilities.

Prudent liquidity risk management includes maintaining sufficient cash and marketable securities, the availability of funding from an adequate amount of committed credit facilities.

The financial liabilities of the municipality are backed by appropriate assets and it has adequate liquid resources. The Council monitors the cash projections and ensures that borrowing facilities are available to meet its cash requirements.

The table below analyses the entity's financial liabilities into relevant maturity groupings based on the remaining period at the financial year end to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

Economic Entity

	Less than 1 year	Between 1 and 5 years	Between 5 and 10 years	Over 10 Years
2012				
Long Term liabilities	33 108 120	100 284 138	86 718 294	55 120 012
Capital repayments	17 258 767	54 004 124	52 691 065	40 713 454
Loans	*15 506 163*	*53 319 557*	*52 691 065*	*40 713 454*
Finance Leases	*1 752 604*	*684 568*		
Interest	15 849 354	46 280 013	34 027 228	14 406 557
Loans	*15 673 486*	*46 235 291*	*34 027 228*	*14 406 557*
Finance Leases	*175 868*	*44 722*		
Trade and Other Payables	42 375 445	-	-	-
Provisions	-	17 093 972		
Unspent conditional government grants and receipts	2 137 005	-	-	-
	77 620 570	117 378 110	86 718 294	55 120 012
2011				
Long Term liabilities	34 401 483	110 243 779	86 604 415	65 758 253
Capital repayments	17 180 613	59 354 077	50 317 386	46 690 428
Loans	*15 189 735*	*57 135 917*	*50 317 386*	*46 690 428*
Finance Leasess	*1 990 878*	*2 218 160*	-	-
Interest	17 220 870	50 889 701	36 287 029	19 067 825
Loans	*16 933 571*	*50 612 888*	*36 287 029*	*19 067 825*
Finance Leasess	*287 300*	*276 814*		
Trade and Other Payables	32 415 312	-	-	-
Provisions	3 458 716	13 281 673		
Unspent conditional government grants and receipts	5 633 600	-	-	-
Unspent Public Contributions	4 500	-	-	-
	75 913 612	123 525 452	86 604 415	65 758 253

Knysna Municipality

	Less than 1 year	Between 1 and 5 years	Between 5 and 10 years	Over 10 Years
2012				
Long Term liabilities	32 192 986	100 284 138	86 718 294	55 120 012
Capital repayments	16 390 171	54 004 124	52 691 065	40 713 454
Loans	*15 506 163*	*53 319 557*	*52 691 065*	*40 713 454*
Finance Leases	*884 009*	*684 568*		
Interest	15 802 815	46 280 013	34 027 228	14 406 557
Loans	*15 673 486*	*46 235 291*	*34 027 228*	*14 406 557*
Finance Leases	*129 329*	*44 722*		
Trade and Other Payables	41 957 371	-	-	-
Provisions	3 724 966	7 514 910		
Unspent conditional government grants and receipts	2 137 005	-	-	-
	80 012 327	107 799 047	86 718 294	55 120 012

KNYSNA MUNICIPALITY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

50 FINANCIAL RISK MANAGEMENT (CONTINUED)

	Less than 1 year	Between 1 and 5 years	Between 5 and 10 years	Over 10 Years
2011				
Long Term liabilities	34 401 483	110 243 779	86 604 415	65 758 253
Capital repayments	17 180 613	59 354 077	50 317 386	46 690 428
Loans	*15 189 735*	*57 135 917*	*50 317 386*	*46 690 428*
Finance Leasess	*1 990 878*	*2 218 160*	-	-
Interest	17 220 870	50 889 701	36 287 029	19 067 825
Loans	*16 933 571*	*50 612 888*	*36 287 029*	*19 067 825*
Finance Leasess	*287 300*	*276 814*		
Trade and Other Payables	32 158 313	-	-	-
Provisions	3 458 716	5 987 299		
Unspent conditional government grants and receipts	5 633 600	-	-	-
Unspent Public Contributions	4 500	-	-	-
	75 656 612	116 231 078	86 604 415	65 758 253

		Economic Entity		Knysna Municipality	
51 FINANCIAL INSTRUMENTS (INCLUDING DISCONTINUED OPERATIONS)		**2012 R**	**2011 R**	**2012 R**	**2011 R**

In accordance with GRAP 104 the financial instruments of the municipality are classified as follows:

The fair value of financial instruments approximates the amortised costs as reflected bellow.

51.1 Financial Assets — **Classification**

Investments					
Fixed Deposits	Financial instruments at amortised cost	17 384 653	15 458 167	17 384 653	15 458 167
Financial instruments at cost					
Non-Current Investments					
- Municipal Entity - Knysna Economic Dev Agency	Financial instruments at cost	503 868	474 617	503 868	474 617
Long-term Receivables					
Land Sales	Financial instruments at amortised cost	194 920	194 920	194 920	194 920
Staff loans	Financial instruments at amortised cost	9 219	11 226	9 219	11 226
Old age homes	Financial instruments at amortised cost	224 337	259 560	224 337	259 560
Sundry deposits	Financial instruments at amortised cost	7 416	6 800	7 416	6 800
Eastford Downs Public Contributions	Financial instruments at amortised cost	35 088	-	35 088	-
Eastford Ridge Public Contributions	Financial instruments at amortised cost	162 281	-	162 281	-
Current Receivables					
Service Debtors	Financial instruments at amortised cost	31 331 647	40 378 691	31 331 647	40 378 691
Rentals	Financial instruments at amortised cost	296 558	351 079	296 558	351 079
Other Debtors	Financial instruments at amortised cost	5 071 415	2 332 526	5 071 415	2 332 526
Other Receivables					
Sundry Debtors	Financial instruments at amortised cost	8 093 765	1 023 841	8 093 765	1 023 841
Government Subsidies and Grants	Financial instruments at amortised cost	1 870 171	3 571 365	1 870 171	3 571 365
Current Portion of Long-term Receivables					
Staff loans	Financial instruments at amortised cost	2 776	4 799	2 776	4 799
Old age homes	Financial instruments at amortised cost	58 715	58 132	58 715	58 132
Eastford Downs Public Contributions	Financial instruments at amortised cost	140 351	-	140 351	-
Short-term Investment Deposits					
Call Deposits	Financial instruments at amortised cost	30 341 591	31 077 680	30 341 591	31 077 680
Bank Balances and Cash					
Bank Balances	Financial instruments at amortised cost	27 076 286	28 437 180	25 148 942	26 218 630
Cash Floats and Advances	Financial instruments at amortised cost	12 859	13 531	12 270	12 270
		122 817 914	**123 654 113**	**120 889 982**	**121 434 303**

SUMMARY OF FINANCIAL ASSETS

Financial instruments at amortised cost					
Non-Current Investments	Fixed deposits	17 384 653	15 458 167	17 384 653	15 458 167
Non-Current Investments	Municipal Entity - Knysna Economic Dev Agency	503 868	474 617	503 868	474 617
Long-term Receivables	Staff loans	9 219	11 226	9 219	11 226
Long-term Receivables	Old Age Homes	224 337	259 560	224 337	259 560
Long-term Receivables	Sundry deposits	7 416	6 800	7 416	6 800
Long-term Receivables	Land sales	194 920	194 920	194 920	194 920
Long-term Receivables	Public Infrastructure Contribution	35 088	-	35 088	-
Long-term Receivables	Public Infrastructure Contribution	162 281	-	162 281	-
Current Receivables	Services	31 331 647	40 378 691	31 331 647	40 378 691
Current Receivables	Rentals	296 558	351 079	296 558	351 079
Current Receivables	Other	5 071 415	2 332 526	5 071 415	2 332 526
Other Receivables	Sundry debtors	8 093 765	1 023 841	8 093 765	1 023 841
Other Receivables	Government subsidies and grants	1 870 171	3 571 365	1 870 171	3 571 365
Current Portion of Long-term Receivables	Staff car loans	2 776	4 799	2 776	4 799
Current Portion of Long-term Receivables	Old Age Homes	58 715	58 132	58 715	58 132
Current Portion of Long-term Receivables	Public Infrastructure Contribution	140 351	-	140 351	-
Short-term Investment Deposits	Call deposits	30 341 591	31 077 680	30 341 591	31 077 680
Bank Balances	Bank Balances	27 076 286	28 437 180	25 148 942	26 218 630
Cash Floats and Advances	Cash Floats and Advances	12 859	13 531	12 270	12 270
Total Financial Assets		**122 817 914**	**123 654 113**	**120 889 982**	**121 434 303**

KNYSNA MUNICIPALITY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

			Economic Entity		Knysna Municipality	
51	FINANCIAL INSTRUMENTS (INCLUDING DISCONTINUED OPERATIONS) (CONTINUED)		2012 R	2011 R	2012 R	2011 R
51.2	**Financial Liability**	**Classification**				
	In accordance with GRAP 104 the Financial Liabilities of the municipality are classified as follows :					
	Long-term Liabilities					
	Non-current Loans	At amortised cost	148 421 137	157 973 589	148 421 137	157 973 589
	Payables					
	Trade payables	At amortised cost	47 201 169	37 090 575	47 201 169	37 090 575
	Unspent Conditional Government Grants and Receipts	At amortised cost	3 810 460	7 652 709	2 137 005	5 633 600
	Current Portion of Long-term Liabilities					
	Short-term portion of Non-current loans	At amortised cost	17 258 767	17 180 613	17 258 767	17 180 613
			216 691 533	**219 897 485**	**215 018 077**	**217 878 377**
52	**EVENTS AFTER THE REPORTING DATE**					
	The municipality is continuing with the process of winding up the municipal entity.					
53	**IN-KIND DONATIONS AND ASSISTANCE**					
	The municipality received the following in-kind donations and assistance:					
	Organisation	**Contribution towards:**				
	General public	Rheenendal Bus tragedy	2 530	-	2 530	-
	General public	Mayoral Golf day	107 400	140 578	107 400	140 578
	General public	Millwood Museum	3 450	2 576	3 450	2 576
	General public	Various mayoral initiatives, including Women's Day	2 210	-	2 210	-
	Nedbank Corporate	SMME Business Incubator	-	150 000		150 000
			115 590	293 154	115 590	293 154
54	**PRIVATE PUBLIC PARTNERSHIPS**					
	Council has not entered into any private public partnerships during the financial year.					
55	**CONTINGENT LIABILITY**					
	Claims against Council		**6 314 504**	**6 558 504**	**6 314 504**	**6 558 504**
	The municipality is currently engaged in litigation which could result in damages/costs being awarded against Council if claimants are successful in their actions. The following are the estimates:					
	Alleged transfer of property to the wrong person (CK2434, ref 13/R)		-	Unknown		Unknown
	Alleged wrongful impounding of trading goods and demolition of trading structure; claim for R 179 000 plus interest and costs (C01680, ref 14/1/1/1/13R)			179 000		179 000
	Action instituted for damages and claims payment of R 2 030 750 plus interest @ 15.5% p.a. from 06/03/2004 and costs (C02118). The plaintiff's former attorneys formally withdrew from acting on his behalf. Muller Terblance and Beyers Inc of Worcester advised the Municipality that they have been appointed and will be serving an appropriate notice to this effect shortly.		6 314 504	6 314 504	6 314 504	6 314 504
	Possible cost order - Knysna Caring Services T/A Loeie Old Age Home.			65 000		65 000
	The Trade Union, IMATU, contested the implementation of a wage curve agreement in the Labour Court and the court ruled in favour of IMATU. The Employers Organisation, SALGA, resolved to take the ruling of the Labour Court on review. The effect of the ruling is an approximate 2% increase in remuneration as from October 2009.			-		-
			6 314 504	**6 558 504**	**6 314 504**	**6 558 504**
56	**RELATED PARTIES**					
	Key Management and Councillors receive and pay for services on the same terms and conditions as other ratepayers / residents.					
56.1	**Related Party Transactions**					

	Rates Levied 1 July to 30 June:	Service Charges Levied 1 July to 30 June:	Other Charges Levied 1 July to 30 June:	Outstanding Balances at end of year:
Year ended 30 June 2012				
Councillors	35 045	104 820	2 493	23 408
Municipal Manager and Section 57 Personnel	18 215	49 696	13 928	
Year ended 30 June 2011				
Councillors before 18 May 2011	46 068	84 709	737	7 058
Councillors effective from 18 May 2011	19 593	33 088	5 218	7 933
Municipal Manager and Section 57 Personnel	21 535	68 348	29 550	2 553

The rates, service charges and other charges are in accordance with approved tariffs that were advertised to the public. No bad debt expenses have been recognised in respect of amounts owed by related parties.

KNYSNA MUNICIPALITY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

56	RELATED PARTIES (CONTINUED)	Economic Entity 2012 R	Economic Entity 2011 R	Knysna Municipality 2012 R	Knysna Municipality 2011 R

56.2 Related Party Loans

Since 1 July 2004 loans to councillors and senior management employees are not permitted. Loans granted prior to this date, together with the conditions, are disclosed in note 18 to the Annual Financial Statements.

56.3 Compensation of key management personnel

The compensation of key management personnel is set out in note 28 to the Annual Financial

56.4 Other related party transactions

The following purchases were made during the year where Councillors or Management have an interest:

Councillor/Staff Member	Entity:				
Mr. R. Bouwer (Stores Clerk)	J.C.O Terblanche	366 160	359 657	366 160	359 657
Mr. R. Bouwer (Stores Clerk)	JC Terblance t/a P&H Services	326 535	153 230	326 535	153 230
Mr. P. Claasen (Stores Officer)	G & C Suppliers	-		-	
Mr. A. Finn (Member Executive Committee - prior 18 May 2011)	Head to Head	-	11 214	-	11 214
Mr. A. Finn (Member Executive Committee - prior 18 May 2011)	Trading cc CK. Global Wave Internet Marketing	-	166 457	-	166 457
Mr. W Litoli (Councillor)	Sizamelekhaya Construction	78 318	4 110	78 318	4 110
Ms. L. Grobler (Customer care admin assistant)	Q&E Carpet Cleaners Knysna	9 524	341 197	9 524	341 197
Ms. M. McDonald (Principal Technicial Electrical)	Jam Electrical	277 838	2 850	277 838	2 850
Ms. N Mlisana (Procurement Clerk)	Zwelidumile Mlisana	9 700		9 700	
Ms. S. Pretorius (Payroll Officer)	Mostly Photography	4 750		4 750	
Mr. JM. Tshambo (Casual - General Assistant: Parks)	Limise Designers Construction	9 500		9 500	
Ms. M. Pietersen (General Assistant: Buildings)	Rheenendal Prospects Agric	16 378		16 378	
Ms. TS. Guzana-Tsese (Senior Clerk: Records)	Tsese Transport & Shuttle Serv.	9 870		9 870	
Mr. ZRM Dulwana (Artisan Diesel Mechanic) & Ms. T Mpembe (Senior Clerk: Payroll)	Nathi G General Trading	9 000		9 000	
Mr. B Stuurman (Procurement Clerk)	Claud's Construction	30 585		30 585	
		1 148 158	**1 038 714**	**1 148 158**	**1 038 714**

APPENDIX A - Unaudited
SCHEDULE OF EXTERNAL LOANS AS AT 30 JUNE 2012

EXTERNAL LOANS	Rate	Original Loan Amount	Redeemable	Balance at 30 JUNE 2011	Received during the period	Redeemed written off during the period	Balance at 30 JUNE 2012
LOCAL REGISTERED STOCK							
Tswane City Council	16.35%	2 322 482	31/12/2013	2 322 483	-	-	2 322 483
Tswane City Council	16.45%	710 520	31/12/2018	710 520	-	-	710 520
Total Long-term Loans		**3 033 002**		**3 033 003**	**-**	**-**	**3 033 003**
ANNUITY LOANS							
ABSA	11.98%	15 000 000	30/06/2028	14 441 493	-	308 209	14 133 284
ABSA	10.65%	7 010 000	01/10/2028	6 710 188	-	143 138	6 567 050
ABSA	11.24%	7 000 000	30/09/2028	6 829 382	-	137 428	6 691 953
ABSA	10.04%	19 579 000	30/06/2029	18 901 606	-	402 015	18 499 591
DBSA	8.23%	11 339 800	30/06/2021	5 968 316	-	596 832	5 371 484
DBSA	8.60%	5 077 667	30/06/2022	2 939 702	-	267 246	2 672 456
DBSA	11.97%	1 194 900	30/06/2012	132 767	-	132 767	-
DBSA	8.68%	6 898 760	30/06/2023	4 357 111	-	363 093	3 994 019
DBSA	8.68%	1 965 640	30/06/2013	436 809	-	218 404	218 404
DBSA	8.23%	8 594 807	30/06/2024	5 880 658	-	452 358	5 428 299
DBSA	8.23%	1 911 374	30/06/2019	1 092 213	-	136 527	955 687
DBSA	8.91%	1 452 650	30/06/2014	484 217	-	161 406	322 811
DBSA	7.33%	9 380 257	31/12/2025	7 158 617	-	493 698	6 664 919
DBSA	7.33%	1 500 330	31/12/2020	1 018 081	-	107 166	910 915
DBSA	7.33%	1 979 824	31/12/2015	1 000 155	-	222 257	777 899
DBSA	10.70%	2 024 531	31/12/2010	-	-	-	-
DBSA	13.75%	34 437 967	30/06/2015	18 486 578	-	3 738 506	14 748 072
DBSA	7.08%	5 386 431	30/06/2026	5 038 920	-	335 928	4 702 992
DBSA	7.12%	1 741 830	30/06/2021	1 221 294	-	122 129	1 099 165
DBSA	7.08%	2 393 924	30/06/2016	1 208 407	-	241 681	966 725
DBSA	8.68%	8 000 000	29/06/2021	8 000 000		800 000	7 200 000
DBSA	8.73%	8 245 000	31/12/2026	-	8 245 000	139 483	8 105 517
Eden District Municipality	0.00%	504 000	30/06/2013	75 600	-	25 200	50 400
				-			-
INCA	10.77%	2 561 506	23/06/2011	-0	-	-	-0
INCA	6.93%	18 607 000	15/02/2027	17 267 004	-	443 859	16 823 145
INCA	10.87%	8 390 000	31/12/2012	3 014 578	-	1 956 538	1 058 041
INCA - Transferred to Standard Bank	10.48%	2 600 000	23/05/2018	2 166 453	-	223 261	1 943 191
INCA - Transferred to Standard Bank	10.59%	5 884 000	20/03/2019	5 274 914	-	443 030	4 831 884
INCA - Transferred to Standard Bank	9.54%	5 106 000	20/03/2014	3 437 687	-	1 039 232	2 398 455
				-			-
Nedbank	10.08%	14 960 000	17/06/2020	14 057 637	-	1 055 674	13 001 963
Standard Bank	10.26%	10 000 000	30/09/2020	9 700 076	-	641 159	9 058 917
Total Annuity Loans		**230 727 196**		**166 300 462**	**8 245 000**	**15 348 224**	**159 197 237**
LEASE LIABILITY							
Finance Leases				4 209 038	9 088	1 780 955	2 437 172
Total Lease Liabilities				**4 209 038**	**9 088**	**1 780 955**	**2 437 172**
TOTAL EXTERNAL LOANS				**173 542 503**	**8 254 088**	**17 129 179**	**164 667 412**

APPENDIX B - Unaudited
DISCLOSURES OF GRANTS AND SUBSIDIES IN TERMS OF SECTION 123 OF MFMA, 56 OF 2003

Grant Description	Balance 1 JULY 2011	Contributions during the year	Other Impairment	Operating Expenditure during the year Transferred to Revenue	Capital Expenditure during the year Transferred to Revenue	Balance 30 JUNE 2012
UNSPENT/UNPAID CONDITIONAL GOVERNMENT GRANTS AND RECEIPTS	**R**	**R**	**R**	**R**	**R**	**R**
	-				-	-
Dist Grant - Knysna Survey Project	(150 000)	-	-	-	-	(150 000)
Nat Grant - DWAF: Masibambane	(314 761)	-	-	-		(314 761)
Nat Grant - Equitable Share	-	(26 687 000)	-	26 687 000	-	-
Nat Grant - Integrated Electrification Program	-	(4 300 000)	-	551 987	3 942 762	194 748
Nat Grant - Local Government Finance Management Grant	30 609	(1 250 000)	-	1 219 391		-
Nat Grant - Neighbourhood Development Partnership Grant(NDPG)	(3 601 236)	(4 120 000)	-	-	7 764 120	42 884
Nat Grant - Municipal Infrastructure Grant	2 943 570	(19 933 000)	-	2 372 207	15 405 299	788 076
Nat Grant - Municipal System Improvements Grant	67 973	(790 000)	-	722 027	-	-
Prov Grant - Community Development Worker (Operat)	-	(78 000)	-	45 555	32 445	-
Prov Grant - Library	-	(538 000)	-	526 867	-	(11 133)
Prov Grant - Housing Consumer Education	(19 184)	-	-	19 184	-	-
Prov Grant - Integrated Housing & Human Settlement (LocGov&Hsg)	430 526	(59 519 709)	-	56 841 791	3 091 855	844 463
Prov Grant - Public Transport Facility (Trans P/W)	(458 351)	(800 000)	-	-	203 756	(1 054 596)
Prov Grant - Poverty Alleviation (Social Develpment)	(36 258)	-	-	35 797	-	(461)
Prov Grant - Performance Management System (Management Support)	(124 830)	-	-	20 064	-	(104 766)
Prov Grant - Upgrade B-Field - Loerie Park	(200 000)	-	-	139 731	-	(60 269)
Other Grant - National Lottery (Sport)	98 688	-	(98 688)	-	-	-
Other Grant - Govan Mbeki National Housing Award	(114 090)	-	-	-	-	(114 090)
Other Grant - French Football Grant	(464 890)	-	-	-	238 683	(226 207)
Other Grant - Danish Football Grant	(150 000)	-	-	49 278	-	(100 722)
Total	**(2 062 235)**	**(118 015 709)**	**(98 688)**	**89 230 879**	**30 678 919**	**(266 834)**